

Financial Statements

Stem Cell Therapeutics Corp.

[Formerly Neurogenesis Biotech Corp.]

[a development stage company]

December 31, 2004

AUDITORS' REPORT

To the Shareholders of
Stem Cell Therapeutics Corp.

We have audited the balance sheet of **Stem Cell Therapeutics Corp.** [formerly Neurogenesis Biotech Corp.] as at December 31, 2004 and the statements of operations and deficit and cash flows for the period from inception on April 1, 2004 to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the period from inception on April 1, 2004 to December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
February 16, 2005

Ernst & Young LLP

Chartered Accountants

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

BALANCE SHEET

As at December 31, 2004

	2004 \$
ASSETS	
Current	
Cash	422,899
Short-term investment	40,000
Prepaid expenses	92,955
	555,854
Property and equipment, net [note 3]	45,150
Intellectual property, net [note 4]	2,371,641
	2,972,645
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current	
Accounts payable and accrued liabilities [note 5]	185,851
Current portion of obligation under share purchase agreement [note 6]	162,058
Current portion of capital lease obligation [note 8]	2,803
	350,712
Obligation under share purchase agreement [note 6]	1,924,221
Capital lease obligation [note 8]	2,343
Commitments and contingencies [note 9]	
Shareholders' equity	
Share capital [note 11]	1,490,593
Contributed surplus [note 11[d]]	154,641
Deficit	(949,865)
Total shareholders' equity	695,369
	2,972,645

See accompanying notes

On behalf of the Board:

"Geoff Shmigelsky"
Director

"Joseph Tucker"
Director

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

STATEMENT OF LOSS AND DEFICIT

Nine-month period ended December 31,

	2004
	\$
OPERATING EXPENSES	
Research and development costs <i>[note 10]</i>	206,038
Professional fees	194,396
Management and consulting fees	117,823
General and administration <i>[note 5]</i>	121,560
Stock option expense <i>[note 11[d]]</i>	174,641
Deemed interest expense on obligation under share purchase agreement <i>[note 6]</i>	75,449
Amortization of property and equipment	4,158
Amortization of intellectual property	59,638
	953,703
Interest income	3,838
Net loss for the period <i>[note 7]</i>	949,865
Deficit beginning of period	—
Deficit, end of period	949,865
 Basic and diluted loss per share <i>[note 2]</i>	 0.08

See accompanying notes

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

STATEMENT OF CASH FLOWS

Nine-month period ended December 31,

	2004 \$
OPERATING ACTIVITIES	
Net loss for the period	(949,865)
Add items not involving cash	
Stock option expense	174,641
Amortization of property and equipment	4,158
Amortization of intellectual property	59,638
	(711,428)
Changes in non-cash working capital items	
Prepaid expenses	(92,955)
Accounts payable and accrued liabilities	185,851
Cash used in operating activities	(618,532)
INVESTING ACTIVITIES	
Acquisition of property and equipment	(49,308)
Acquisition of intellectual property	(327,000)
Short-term investment	(40,000)
Cash used in investing activities	(416,308)
FINANCING ACTIVITIES	
Net increase in capital lease obligation	5,146
Issuance of share capital, net of share issue costs	1,452,593
Net cash provided by financing activities	1,457,739
Net increase in cash during the period	422,899
Cash, beginning of period	—
Cash, end of period	422,899

See accompanying notes

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

1. DESCRIPTION OF BUSINESS

Stem Cell Therapeutics Corp. (the "Company") was incorporated under the laws of Alberta on March 31, 2004 with nominal share capital. On October 19, 2004, the Company changed its name from Neurogenesis Biotech Corp. to Stem Cell Therapeutics Corp. The Company was created to further develop and commercialize stem cell related technologies acquired from an Alberta based university. To date, the Company has not earned product revenue and is considered to be in the development stage.

The continuation of the Company's research and development activity and the commercialization of its stem cell related technologies is dependent on the Company's ability to complete its research and development programs, achieve future profitable operations and finance its cash requirements. The outcome of these matters cannot be predicted at this time. The value of the Company's intangible assets could become impaired should their research and development activities change significantly or cease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from those estimates.

Short-term investment

Short-term investment, consisting of a guaranteed investment certificate, is a liquid investment that is readily convertible to known amounts of cash and is subject to an insignificant risk of changes in value with original maturities of less than two years at the time of purchase. The short-term investment held at December 31, 2004 bears interest at 1.5% per annum. The investment is carried at the lower of cost and market value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Property and equipment

Property and equipment are recorded at cost less accumulated amortization over each quarter. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Computer software	2 years
Office furniture and equipment	5 years

Intellectual property

Intellectual property represents the value of intellectual property as of the acquisition date which is amortized on a straight-line basis over its estimated useful life of 10 years.

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investment, prepaid expenses, accounts payable, and capital lease obligations. The carrying value of these financial instruments approximates the fair value due to the short-term nature of the instruments.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Foreign denominated transactions are translated at the exchange rates prevailing at the transaction dates.

Impairment or disposal of long-lived assets

The Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of the assets and their net recoverable values, which are generally determined based on undiscounted cash flows expected to result from the use and the eventual disposal of the assets. If the carrying value of the assets is not recoverable, an impairment loss is recognized to write down the assets to their fair value.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Income taxes

The Company follows the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income or loss in the year that the income tax rates change occurs.

Investment tax credits

The Company recognizes investment tax credits for qualifying research and development costs on a cash basis. The Company accounts for investment tax credits relating to research and development expenses as a reduction of such expenses and those relating to capital expenditures as a reduction of the cost of the asset acquired. No investment tax credits have been recorded in these financial statements as there is no reasonable assurance of realization.

Loss per share

Basic and diluted net loss per share has been calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share is calculated in accordance with the treasury stock method. This method assumes that any proceeds from the exercise of stock options or the conversion of Class B shares would be used to purchase common shares at the average share price during the period. The Company has excluded all outstanding stock options and Class B shares from the calculation of diluted loss per share because all such securities are considered anti-dilutive.

Research and development

Research costs, other than capital expenditures that have alternative uses, are expensed as incurred. Development costs that meet specific criteria related to technical, market and financial feasibility are capitalized. All development costs incurred to date have been expensed.

Stock-based compensation

The Company uses the fair value-based method of accounting for all stock-based compensation granted to employees. The fair value of the stock options is determined using the Black-Scholes option-pricing model. The compensation expense is recognized in the statement of loss using a straight-line method over the vesting period of the stock options.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

3. PROPERTY AND EQUIPMENT

	2004		Net
	Cost	Accumulated amortization	book value
	\$	\$	\$
Computer equipment	27,052	1,978	25,074
Computer software	4,721	504	4,217
Office furniture and equipment	17,535	1,676	15,859
	49,308	4,158	45,150

Included in computer equipment are assets under capital lease at a cost of \$5,603, and accumulated amortization of \$679.

4. INTELLECTUAL PROPERTY

	2004		Net
	Cost	Accumulated amortization	book value
	\$	\$	\$
Intellectual property			
Owned by the Company	20,000	1,503	18,497
Subject to purchase commitments [note 6]	2,411,279	58,135	2,353,144
	2,431,279	59,638	2,371,641

A portion of the intellectual property was acquired for \$20,000 which represents the fair value of the intellectual property acquired and was paid through the issuance of 3,636,364 Common shares with a value of \$18,000 and a \$2,000 cash payment.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

5. RELATED PARTY TRANSACTIONS

Pursuant to a sub-lease agreement entered into with LaunchVision Research Inc. (controlled by a director of the Company), the Company incurred rent expense of \$19,530 which is included in general and administration expense. No amount is owing at December 31, 2004.

This transaction was recorded at its exchange amounts, and took place in the normal course of business.

6. OBLIGATION ON SHARE PURCHASE AGREEMENT

On October 4, 2004, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Stem Cell Therapeutics Inc. ["Stem Cell"] from Transition Therapeutics Inc. ["Transition"], which represents an acquisition of intellectual property. The Company agreed to pay Transition an aggregate purchase price of \$3,500,000. The purchase price is payable in instalments beginning on closing, October 4, 2004, in the amount of \$325,000, and on the anniversary of closing in each of the following four years in the amount of \$475,000, \$400,000, \$650,000 and \$1,650,000, respectively. Except for the initial payment, all subsequent payments may be made, at the Company's election, by either cash or common shares; provided that the Company may only elect to issue common shares as payment for the final instalment if the common shares are at such time listed and posted for trading on a recognized stock exchange. On closing, the certificates representing the Stem Cell shares were placed in escrow subject to the payment in full of the purchase price. As part of the share purchase agreement, the Company is subject to commitments for future royalty payments *[see note 9[d]]*.

As the Company has use of the intellectual property during the instalment period, the commitment to acquire Stem Cell has been recorded as a liability based on the discounted present value of the purchase instalments. The current and long-term portions of the obligation are calculated as follows:

	\$
2005	475,000
2006	400,000
2007	650,000
2008	1,650,000
	3,175,000
Less amount representing deemed interest at 15%	1,088,721
	2,086,279

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Less current portion	162,058
Long term portion	1,924,221

7. INCOME TAXES

Future tax assets are determined based on differences between financial reporting and tax bases of assets and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The reconciliation of income tax attributable to continuing operations computed at the statutory rate to income tax expenses is as follows:

	2004
	\$
Statutory tax rate	33.9%
Expected tax recovery	(322,004)
Add: stock option expense	59,203
	(262,801)
Future tax assets not recorded	262,801

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Significant components of the Company's future tax assets as at December 31, 2004 are as follows:

	2004 \$
Future tax assets	
Non-capital loss carryforwards	171,327
Scientific research and experimental development pool	69,847
Federal investment tax credit carryforwards	41,208
Carrying value of capital and intangible assets in excess of accounting basis	21,627
Total future tax assets	304,009
Valuation allowance on future tax assets	(304,009)
Net future tax assets	—

As at December 31, 2004, the Company has accumulated tax losses for federal and provincial purposes in Canada. The Company also has unclaimed Canadian federal scientific research investment tax credits. The losses and investment tax credits can be used to offset future years' Canadian taxable income, the benefit of which has not been recorded in the accounts. The tax losses and investment tax credits expire as follows:

	Federal \$	Investment tax credits \$
2014	505,390	41,208

8. CAPITAL LEASE OBLIGATION

	\$
2005	3,211
2006	2,408
	5,619
Less amount representing interest at 14.6%	473
	5,146
Less current portion	2,803
	2,343

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

9. COMMITMENTS AND CONTINGENCIES

[a] Operating leases

The Company leases office facilities under a 16-month sub-lease expiring December 31, 2005, with minimum future annual lease payment commitment for 2005 of \$45,473.

[b] Service agreements

As at December 31, 2004, the future minimum annual payments under capital equipment service agreements for the next five years and thereafter are as follows:

	\$
2005	—
2006	202
2007	485
2008	485
2009	485
Thereafter	283
	<u>1,940</u>

[c] Research contract

Future expected payments under a research contract with an Alberta based university, which expired February 13, 2005, are as follows:

	\$
2005	21,000
	<u>21,000</u>

[d] Contingency

Pursuant to the share purchase agreement from Transition [see note 6], royalty payments may become due and payable in accordance with this agreement upon realization of sales or licensing of patent rights from intellectual property in the Stem Cell Therapeutics Inc. portfolio. When the Company realizes sales of products or processes, a royalty of 2% of net sales will become payable

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

to Transition. In addition, if patent rights are licensed, a royalty of 5% of the consideration for such licenses will become payable.

10. RESEARCH AND DEVELOPMENT PROJECTS

The Company is involved in the research and development of therapeutics involved in the stimulation of stem cells for the treatment of neurological diseases. The following costs have been incurred for research and development work performed to December 31, 2004:

	\$
Research and development expense costs	206,038

All research and development costs incurred to date have been expensed. No revenue has been earned from commercialization of the Company's technology.

11. SHARE CAPITAL

[a] Authorized

The authorized share capital of the Company consists of an unlimited number of common shares, Class B shares and First Preferred shares, in each case without nominal or par value. Common shares are voting, and may receive dividends as declared at the discretion of the directors. Class B shares are non-voting and convertible to common shares at the holder's discretion, on a one-for-one basis. Upon dissolution or wind-up of the Company, Class B shares participate rateably with the Common shares in the distribution of the Company's assets.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

[b] Issued and outstanding

	Number of shares #	2004 \$
Common		
Formation of Company, March 31, 2004	1,000,000	10
Acquisition of intellectual property, April 1, 2004 (i)	3,636,364	18,000
Proceeds from issuance at \$0.025 per share, April 14, 2004	2,000,000	50,000
Proceeds from issuance at \$0.10 per share, June 7, 2004	2,550,000	255,000
Proceeds from issuance at \$0.15 per share, August 19, 2004	4,000,000	600,000
Proceeds from issuance at \$0.25 per share, November 19, 2004	1,000,000	250,000
Options exercised, November 21, 2004 (ii)	800,000	55,000
Conversion of Class B to common, November 19, 2004 (iii)	4,000,000	—
	18,986,364	1,228,010
Class B		
Proceeds from issuance at \$0.025 per share, April 20, 2004	10,800,000	270,000
Conversion of Class B to common, November 19, 2004	(4,000,000)	—
	6,800,000	270,000
Financing Costs	—	(7,417)
Balance, end of period	25,786,364	1,490,593

- (i) On April 1, 2004 3,636,364 Common shares were issued for the acquisition of intellectual property, the value of the shares was based on the fair value of the intellectual property acquired, \$18,000.
- (ii) On November 21, 2004, 600,000 options were exercised at a price of \$0.025 and 200,000 options were exercised at a price of \$0.10. In addition, contributed surplus of \$20,000 was reclassified to share capital upon exercise of the options.
- (iii) On November 19, 2004, 4,000,000 Class B shares were converted to 4,000,000 Common shares on a one to one basis.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

[c] Employee stock options

As at December 31, 2004 the Company's Board of Directors has granted 4,725,000 options to employees and directors of the Company to purchase an eligible number of common shares for an exercise price equal to the fair market value of the Company's common shares on the date of the grant as determined by the Board of Directors. The options' term to expiry varies to a maximum of five years from the date of grant. Vesting terms and conditions are determined by the Board of Directors at the time of grant. 800,000 of these options were exercised prior to the filing of a preliminary prospectus.

The following table summarizes the activity of the Company's stock option plan as at December, 2004:

	Number of shares #	Weighted- average exercise price \$
Outstanding, beginning of period	—	—
Granted	4,725,000	0.21
Exercised	800,000	0.044
Cancelled	—	—
Outstanding, end of period	3,925,000	0.25
Options exercisable at period end	3,925,000	0.25

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

The following table summarizes information about stock options outstanding as at December 31, 2004:

Range of exercise prices \$	Options outstanding		Options exercisable		
	Options outstanding #	Weighted-average remaining contractual life	Weighted-average exercise price \$	Options exercisable #	Weighted-average exercise price \$
0.25	3,925,000	4.9	\$0.25	725,000	\$0.25

[d] Employee stock options expense

As at December 31, 2004 the Company's Board of Directors has granted a total of 4,725,000 options to employees and directors of the Company to purchase an eligible number of common shares for an exercise price equal to the fair market value of the Company's common shares on the date of the grant as determined by the Board of Directors. These options were granted in April 2004, June 2004, and November 2004 and have been valued using the fair value methodology of the Black-Scholes model.

Date Granted	Strike Price	Share Price	Number of Options	Expected Life	Value per Share ⁽¹⁾	Total Value
April 2004	\$0.025	\$0.025	600,000	0.6 years ⁽²⁾	\$0.02	\$12,000
June 2004	\$0.10	\$0.10	200,000	0.4 years ⁽³⁾	\$0.08	\$16,000
November 2004	\$0.25	\$0.25	3,925,000	5 years	\$0.19	\$745,750 ⁽⁴⁾

- (1) Other weighted-average assumptions were: the risk free interest rate was set at 5%, volatility, although the stock was not publicly traded at that time, was set at 100%, and a dividend yield of nil.
- (2) The expected life was estimated at 0.6 years due to the options expiring upon filing of a preliminary prospectus.
- (3) The expected life was estimated at 0.4 years due to the options expiring upon filing of a preliminary prospectus.
- (4) A total aggregate value of \$137,750 for the options granted to directors (which vested upon granting) and \$608,000 for the options granted to officers, which vest 1/6 after 6 months, and 1/36 every month after for three years. Options granted to directors is

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

booked as an expense immediately upon grant (November 2004), whereas options granted to the officers is booked equally over the 36 month vesting period.

12. STATEMENT OF CASH FLOWS

[a] Non-cash transactions

The statement of cash flows excludes the following non-cash transaction:

- the purchase of intellectual property on April 4, 2004 for shares valued at \$18,000.

[b] Interest paid and classified as operating activities is nil.

13. SEGMENTED INFORMATION

Management has determined that the Company operates in one reportable segment based on the nature of the Company's service offerings, types of customers and the method used to deliver its services and the economic characteristics of its operations. This reportable segment involves the research and development of therapeutics involved in the stimulation of stem cells for the treatment of neurological diseases.

The Company's operations are located in Canada.

14. SUBSEQUENT EVENTS

[a] Prospectus

The Company closed its initial public offering on January 6, 2005 and began trading on the TSX-Venture exchange under the symbol SSS on January 11, 2005. 34,000,000 common shares were issued from treasury at \$0.25 per share ["Offering"]. An underwriters' commission of 9% of the aggregate gross proceeds realized from the Offering with expenses resulted in net proceeds of \$7,640,453 to the company.

[b] Options granted

On February 10, 2005, 800,000 stock options were granted to a new officer at an exercise price of \$0.35 per share, vesting over three years with similar vesting provisions as other officers, and with an expiry date of five years after grant.

AR80

This prospectus constitutes a public offering of securities only in those jurisdictions where such securities may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereunder have not and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or the securities laws of any state of the United States of America (the "United States") and, subject to certain exceptions, may not be offered, sold or otherwise disposed of, directly or indirectly, within the United States or its territories or possessions or to or for the account or benefit of any "U.S. person" (as defined in Regulation S under the 1933 Act) except in transactions exempt from registration under the 1933 Act and under the securities laws of any applicable state. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States, its territories or possessions or to or for the account or benefit of a U.S. person. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

December 21, 2004



STEM CELL THERAPEUTICS STEM CELL THERAPEUTICS CORP.

Minimum Offering: \$7,500,000 or 30,000,000 Common Shares

Maximum Offering: \$8,500,000 or 34,000,000 Common Shares

This prospectus qualifies the distribution (the "Offering") to the public of a minimum of 30,000,000 common shares (the "Common Shares") and a maximum of 34,000,000 Common Shares, being the offered securities of Stem Cell Therapeutics Corp. (the "Company"). The offering price of the Common Shares was determined by negotiation between us and the agents, being Dlouhy Merchant Group Inc. and First Associates Investments Inc. (collectively, the "Agents").

The Company is a biotechnology company developing new therapies for diseases of the central nervous system, based on inducing the patient's own stem cells to proliferate in the brain. **There is currently no market through which the Common Shares may be sold and purchasers may not be able to resell securities purchased under this prospectus. An investment in the Common Shares is speculative and involves a high degree of risk that should be considered by potential investors. An investment in the Common Shares should only be undertaken by those persons who can afford the total loss of their investment. See "Risk Factors".** The TSX Venture Exchange ("TSX-V") has conditionally approved the listing of the Common Shares under the symbol "SSS", subject to the Company fulfilling the requirements of such exchange.

Price: \$0.25 per Common Share

	Price to the Public	Agents' Fee⁽¹⁾	Net Proceeds to the Company⁽²⁾
Per Common Share.....	\$0.25	\$0.0225	\$0.2275
Total Offering ⁽³⁾	\$8,500,000	\$765,000	\$7,735,000

Notes:

- (1) The Agents will be paid a fee (the "Agents' Fee") equal to 9.0% of the gross proceeds of the Offering.
- (2) Before deducting expenses of the Offering, estimated to be \$300,000, which will be paid by the Company out of the proceeds of the Offering. See "Plan of Distribution".
- (3) Assumes the maximum number of Common Shares sold pursuant to the Offering.

The Agents, as principals, conditionally offer the Common Shares subject to prior sale, if, as and when issued, sold and delivered by the Company and accepted by the Agents in accordance with the conditions contained in the agency agreement referred to under "Plan of Distribution", subject to approval of certain legal matters on behalf of the Company by McCarthy Tétrault LLP and on behalf of the Agents by Fraser Milner Casgrain LLP. In connection with the Offering, the Agents may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part. It is expected that the certificates representing the Common Shares will be available for delivery at the closing of this Offering on or about January 6, 2005, or such later date as the Company and the Agents may agree but in any event no later than January 31, 2005 (the "Closing Date").

TABLE OF CONTENTS

GENERAL MATTERS	1	COMPENSATION OF DIRECTORS AND OFFICERS	28
FORWARD LOOKING STATEMENTS	1	INDEBTEDNESS OF DIRECTORS AND OFFICERS..	30
ELIGIBILITY FOR INVESTMENT	1	PRINCIPAL SHAREHOLDERS.....	30
CURRENCY AND EXCHANGE RATES.....	1	PLAN OF DISTRIBUTION	31
PROSPECTUS SUMMARY.....	2	PRIOR SALES.....	32
THE COMPANY.....	2	ESCROWED SECURITIES	32
THE OFFERING	4	OPTIONS AND WARRANTS TO PURCHASE	
SELECTED FINANCIAL INFORMATION	5	SECURITIES.....	33
THE COMPANY.....	6	RISK FACTORS.....	33
Company Structure	6	DIVIDEND POLICY	39
Overview of the Company	6	LEGAL PROCEEDINGS	39
Our Technology	6	INTEREST OF MANAGEMENT AND OTHERS IN	
Our Business Strategy.....	13	MATERIAL TRANSACTIONS.....	39
Our Management Team	14	MATERIAL CONTRACTS	40
Human Resources	14	EXPERTS	40
Facilities.....	14	AUDITORS, TRANSFER AGENT AND REGISTRAR	40
Competition	15	PURCHASERS' STATUTORY RIGHTS OF	
Patents and Proprietary Rights.....	16	WITHDRAWAL AND RESCISSION	40
Acquisition of Stem Cell Therapeutics Inc.	16	GLOSSARY.....	41
Regulatory Environment.....	17	AUDITORS' CONSENT.....	43
SELECTED FINANCIAL INFORMATION.....	18	INDEX TO FINANCIAL STATEMENTS.....	F-1
MANAGEMENT'S DISCUSSION AND ANALYSIS ..	19	CERTIFICATE OF THE COMPANY.....	C-1
CAPITALIZATION	22	CERTIFICATE OF THE AGENTS.....	C-2
USE OF PROCEEDS	22		
DESCRIPTION OF SHARE CAPITAL	22		
EXECUTIVE OFFICERS, KEY EMPLOYEES AND			
DIRECTORS	23		

GENERAL MATTERS

As used in this prospectus, unless the context otherwise requires or indicates, the terms “Company”, “we”, “us” and “our” mean Stem Cell Therapeutics Corp.

“Stem Cell Therapeutics” and “NTx” are our trademarks. All other trademarks or service marks appearing in this prospectus are the trademarks or service marks of the companies that use them.

Our corporate web site is www.stemcellthera.com. The information on our website is not intended to be included or incorporated by reference into this prospectus and prospective purchasers should not rely on such information when deciding whether or not to invest in our Common Shares.

Statistical information and other data relating to the pharmaceutical and biotechnology industry included in this prospectus are derived from industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations. Market data and industry forecasts used throughout this prospectus were obtained from various publicly available sources. Although we believe that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

Certain technical terms used throughout this prospectus are defined in the glossary beginning on page 41 of this prospectus.

FORWARD LOOKING STATEMENTS

Certain statements in this prospectus are forward looking statements. These forward looking statements are not based on historical facts but rather on management’s expectations regarding future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Statements in this prospectus about our future plans and intentions, results, levels of activity, performance, goals or achievements or other future events constitute forward looking statements. Wherever possible, words such as “anticipate”, “believe”, “expect”, “may”, “could”, “will”, “potential”, “intend”, “estimate”, “should”, “plan”, “predict” or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward looking statements. Such forward looking statements reflect our management’s current beliefs and assumptions and are based on information currently available to our management. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those implied by forward looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward looking statements. Although the forward looking statements contained in this prospectus are based upon what our management believes to be reasonable assumptions, we cannot assure investors that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this prospectus, and we assume no obligation to update or revise them to reflect new events or circumstances.

ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, our counsel, and Fraser Milner Casgrain LLP, counsel for the Agents, based on the provisions of the *Income Tax Act* (Canada) (the “Tax Act”) and the proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance prior to the date of this prospectus, and based and relying upon a certificate of one of our officers, if, as and when the Common Shares are listed on the TSX-V, the Common Shares will, on the date of their listing, be qualified investments for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan or a registered education savings plan (collectively, the “Plans”) under the Tax Act and the regulations thereunder. Further, the Common Shares will not, on the date of their listing, constitute “foreign property,” for purposes of the Tax Act, for persons subject to tax imposed under Part XI of the Tax Act.

CURRENCY AND EXCHANGE RATES

In this prospectus, unless otherwise noted, all dollar amounts are expressed in Canadian dollars. References to “US\$” are to United States dollars.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering and is qualified by and should be read in conjunction with the more detailed information and financial data and statements appearing elsewhere in this prospectus.

THE COMPANY

We are a biotechnology company focused on the development of our technology platform and intellectual property to selectively induce a patient's own stem cells to proliferate in the brain. Our core technology has been demonstrated to increase the number of innate adult stem cells that grow in place when our therapeutic approach is applied to test animals. This fundamental technology will be further developed to create specific disease treatments for stroke, Huntington's disease, Alzheimer's disease and other neurodegenerative conditions. Our company is based on four key principles:

- leading-edge stem cell science;
- an efficient drug development approach;
- targeting large unmet markets; and
- a team with the right experience to achieve success.

Our Technology

Our core intellectual property, which includes our lead therapeutic product NTxTM-265, is based on a therapeutic approach developed in the laboratory of Dr. Samuel Weiss at an Alberta based university. This therapeutic approach has been demonstrated to increase the number of innate adult stem cells that grow in place when our proprietary combination of drugs is injected into test animals. In addition to our core technology, we also acquired intellectual property as a result of our acquisition of Stem Cell Therapeutics Inc. which complements our existing technology platform. See "The Company - Acquisition of Stem Cell Therapeutics Inc."

We are developing a series of treatments for stroke patients and patients with various neurodegenerative diseases who can benefit from the selective growth of new functional brain cells. The ability to develop new treatments that are both effective and safe is being enhanced through the novel "new use" application of approved drugs that are currently being used to treat other diseases. It is our hope that the technologies we are developing will provide the platform for new therapies for a variety of diseases of the central nervous system including Huntington's disease and Alzheimer's disease. Additionally, the time and cost to gain regulatory approval for our products is expected to be reduced by leveraging the vast body of pre-clinical and human clinical data that has been amassed for these compounds.

Stroke is the lead disease indication being targeted with our technology. Stroke represents both an attractive market opportunity and potentially viable application for our technology platform. Stroke events can lead to a wide area of dead and damaged neuronal cells in the patient's brain and an associated loss of cognitive function and motor control. The regeneration of new, functional brain cells may directly lead to an improvement in stroke patients' cognitive functions and motor control.

In animal models, our therapeutic approach has been shown to stimulate and direct the re-growth of functional brain cells from the innate, but dormant, stem cell population that already exists in the animal's body. If successful in humans, management of the Company believes that this approach could eliminate the need to harvest or transplant stem cells from other sources, such as non-human stem cells, adult cells from biopsy samples of stem cells, or fetal stem cells that are harvested from embryos.

Development Program

Our current products under development are based on novel combinations and applications of products that are currently on the market to treat other, non-central nervous system disease indications. This is expected to decrease development timelines and costs due to the substantial body of pre-clinical and human clinical trial information that has substantiated both the efficacy and safety of these drugs.

Our lead therapeutic product is a unique combination of therapeutic compounds, which we have termed NTxTM-265. Currently, we anticipate the initiation of our pre-clinical optimization and bioanalytical experiments in late 2004 or early 2005. We expect that it will take us approximately one year to complete these studies, after which we intend to work expeditiously to begin testing NTxTM-265 in humans.

To commercialize our lead therapeutic product, NTx™-265, we will conduct human clinical studies following an efficient and safety conscious development plan. We currently have a clinical development plan in place to help define our requirements and timelines.

We hope to enter the human clinical phase of development with NTx™-265 towards the end of 2005 or beginning of 2006. In our Phase I/II clinical study for a proposed lead indication of stroke, we anticipate that a relatively short initial clinical study period will allow us to collect the necessary data, and we hope to initiate our next Phase I/II clinical study, for indications to be determined, in early 2007.

Our Business Strategy

The key focus of our business strategy is to combine internationally recognized stem cell science with an efficient development approach, targeting large unmet market needs with the novel application of drugs that are currently used to treat other diseases.

Our core technology was developed from the research program led by Dr. Samuel Weiss at an Alberta based university. This technology was acquired by the Company from Dr. Weiss, Mr. Christopher Gregg and two other co-inventors on April 1, 2004. Dr. Weiss and his co-inventors discovered a unique combination of compounds that stimulate adult stem cells to proliferate, migrate, and differentiate within the brain itself. We believe that this discovery may have applications for the treatment of stroke and the many debilitating neurodegenerative diseases that affect hundreds of thousands of people each year. As the “baby boomer” population ages and life expectancies increase further, the number of people suffering from stroke and neurodegenerative diseases is expected to grow markedly.

Our aim is to develop a series of treatments for stroke and other neurodegenerative diseases that can benefit from the growth of new brain cells in the same areas that brain cells have been damaged or lost. We intend to develop our product through exploratory Phase I/II studies, following which we would likely look to take on one or more partners with larger economic bases to share the costs involved in further studies and development.

The American Heart Association has recently estimated that the direct and indirect economic costs of stroke (our lead disease indication) in the United States will total US\$53.6 billion in 2004. We believe that the amount spent on drugs to treat stroke vastly under-represents the market opportunity, simply because the currently available therapies will not help most patients recover brain cells damaged or destroyed by stroke. A June 2004 article written by S. Friefeld, O. Yeboah, J.E. Jones and G. DeVeber entitled “Health related quality of life and its relationship to neurological outcome in child survivors of stroke” cites evidence that a significant number of children are also being affected by stroke in Canada. Cell replacement therapies are truly coming of age and represent an area of enormous potential as medical treatments.

Our Management Team

Dr. Joseph Tucker is our President and Chief Executive Officer. Dr. Tucker was formerly Vice President, Strategic Development at Resverlogix Corporation (“Resverlogix”), a Calgary-based TSX-V-listed company. Mr. Mark Wayne, founder of the AltaFund Investment Corp. in 1987 and current director and officer of several public and private companies, is our Chief Financial Officer. Pre-clinical and clinical product development will be led by Dr. Allen Davidoff as Vice President, Product Development, who brings his experience in guiding the pre-clinical and clinical congestive heart failure drug development program as Senior Clinical Scientist – Congestive Heart Failure at Cardiome Pharma Corp., a Vancouver-based Toronto Stock Exchange (“TSX”) listed company. Dr. Brett Schönekeess, co-founder of Mind to Market Solutions Inc., a life sciences consultancy, and Bortec Biomedical Ltd., a medical device company, is Vice President, Operations and Corporate Secretary of the Company. See “Executive Officers, Key Employees and Directors”.

THE OFFERING

Securities to be Distributed: Minimum of 30,000,000 Common Shares
Maximum of 34,000,000 Common Shares

Offering Price: \$0.25 per Common Share

Offering Amount: Minimum of \$7,500,000
Maximum of \$8,500,000

Common Shares Outstanding:	As at November 30, 2004, Prior to the Offering	As at November 30, 2004, After Completion of the Offering⁽¹⁾
Common Shares	18,986,364	52,986,364
Common Shares (on a diluted basis)	29,711,364	63,711,364

Notes:

(1) Assumes the maximum number of Common Shares sold pursuant to the Offering.

Use of Proceeds: We expect to receive between \$6.5 million and \$7.5 million of net proceeds from the Offering. Our intention is to use approximately \$4.7 million of these proceeds over the next 24 months for research and development focused on new products and the remaining \$1.8 million to \$2.8 million for general and administrative expenses including working capital and possible acquisitions of additional technology. The amounts and timing of the expenditures will vary depending upon a number of factors, including the progress of our research and development programs, regulatory approvals and unexpected expenses. See "Use of Proceeds".

Risk Factors: **An investment in the Common Shares is speculative and involves a high degree of risk that should be considered by potential investors. An investment in the Common Shares should only be undertaken by those persons who can afford the total loss of their investment. See "Risk Factors".** Prospective investors should carefully review the factors set out under "Risk Factors" together with other information contained elsewhere in this prospectus. These risk factors include, without limitation, the following: (i) risks associated with holding shares in a company whose business is at an early stage of development; (ii) since our inception we have incurred losses and we expect to incur more losses in the foreseeable future; (iii) there are certain delays, expenses and other difficulties which are beyond our control that we may encounter due to the extensive regulatory environment within which our business is carried out; (iv) there is no assurance that we will be able to keep pace with technological developments; (v) competition within our industry is intense; (vi) there is no assurance that we will be able to secure and protect our intellectual property, which we depend on for success, and we may be subject to third party claims for using proprietary information without authorization; (vii) additional financing will be required before we are profitable; (viii) we may need to obtain partners to support and help commercialize our technology; (ix) insurers may be unwilling to pay for products which could affect our profitability; and (x) the possible volatility of our stock price. An investment in the Common Shares is suitable only for purchasers who are aware of such risks and who have the ability and willingness to accept the risk of the loss of all or part of their investment. See "Risk Factors".

SELECTED FINANCIAL INFORMATION

Selected Quarterly Financial Information

The following table sets out selected financial information for each of the two quarters ended June 30, 2004 and September 30, 2004. In the opinion of our management, this information has been prepared on the same basis as the audited financial statements appearing elsewhere in this prospectus, and all necessary adjustments have been included in the amounts stated below to fairly present the results when read in conjunction with our audited financial statements and the notes to those statements. These results should also be read in conjunction with our Management's Discussion and Analysis. The operating results for any quarter or quarters should not be relied upon as any indication of results for any future period.

	Quarter Ended June 30, 2004	Quarter Ended September 30, 2004
	(\$000's except per share amounts) unaudited	
Revenues.....	Nil	Nil
Net loss	119	149
Total assets	545	1,094
Long term debt (including current portion)	Nil	6
Loss per		
Common Share ⁽¹⁾	0.01	0.01
diluted ⁽²⁾	0.01	0.01

Notes:

- (1) Based on 8,085,790 weighted average shares outstanding for the quarter ended June 30, 2004 and 12,012,444 weighted average shares outstanding for the quarter ended September 30, 2004.
- (2) Based on 8,085,790 weighted average shares outstanding for the quarter ended June 30, 2004 and 12,012,444 weighted average shares outstanding for the quarter ended September 30, 2004.

THE COMPANY

Company Structure

We were incorporated under the *Business Corporations Act* (Alberta) (“ABCA”) on March 31, 2004 and are authorized to issue an unlimited number of Common Shares, an unlimited number of class B shares (“Class B Shares”) and an unlimited number of first preferred shares (“First Preferred Shares”). On October 19, 2004, we amended our articles of incorporation to change our name from “Neurogenesis Biotech Corp.” to “Stem Cell Therapeutics Corp.”

Our head office is located at Suite 1000, 1520 – 4th Street S.W., Calgary, Alberta T2R 1H5, and our registered office is located at 3300, 421 — 7th Avenue S.W., Calgary, Alberta T2P 4K9. Our website is located at www.stemcellthera.com. Information on our website is not included or incorporated by reference into this prospectus and prospective purchasers should not rely on such information when deciding whether or not to invest in our Common Shares.

Overview of the Company

We are a biotechnology company focused on the development of our technology platform and intellectual property to selectively induce a patient’s own stem cells to proliferate in the brain. Our core technology has been demonstrated to increase the number of innate adult stem cells that grow in place when our therapeutic approach is applied to test animals. This fundamental technology will be further developed to create specific disease treatments for stroke, Huntington’s disease, Alzheimer’s disease and other neurodegenerative conditions. Our Company is based on four key principles:

- leading-edge stem cell science;
- an efficient drug development approach;
- targeting large unmet market needs; and
- a team with the right experience to achieve success.

Our Technology

Our core intellectual property, which includes our lead therapeutic product NTxTM-265, is based on a therapeutic approach developed in the laboratory of Dr. Samuel Weiss at an Alberta based university. For further information regarding our acquisition of intellectual property from Dr. Weiss, see “The Company - Our Business”. This therapeutic approach has been demonstrated to increase the number of innate adult stem cells that grow in place when our proprietary combination of drugs is injected into test animals. Our goal is to further develop this fundamental technology into targeted disease treatments for stroke, Huntington’s disease, Alzheimer’s disease and other neurodegenerative conditions. In addition to our core technology, we also acquired intellectual property as a result of our acquisition of Stem Cell Therapeutics Inc. which complements our existing technology platform. See “The Company - Acquisition of Stem Cell Therapeutics Inc.”

We believe that the risk of failure associated with this technology has been substantially reduced through the application of drugs that are already approved for use in humans in unrelated disease areas. We are attempting to secure patent protection on the treatment of a variety of diseases of the central nervous system using our therapeutic approach.

Overview

In animal models, our therapeutic approach has been shown to stimulate and direct the re-growth of functional brain cells from the innate, but dormant, stem cell population that already exists in the animal’s body. If successful in humans, this approach could eliminate the need to harvest or transplant stem cells from other sources, such as non-human stem cells, adult cells from biopsy samples of stem cells, or fetal stem cells that are harvested from embryos.

Our therapies are based on novel combinations and applications of products that are already on the market for other disease indications. We anticipate that this will decrease development times and costs due to the substantial amount of pre-clinical and human clinical trial information that is already available for these drugs.

We have identified a therapeutic approach that increases the number of neural stem cells using precise concentrations of the neurogenesis-promoting agents that normally act within the brain. Based on animal studies, these therapeutic agents can be

administered by injection into the patient, which could then lead to neural stem cell proliferation within the brain. This, in turn, could lead to the production of the specialized brain cells, namely neurons and glia, that are needed to replace neural cells that have been lost or damaged.

Neurogenesis Process

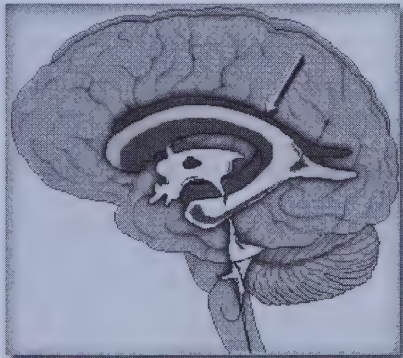
The Company’s therapeutic approach, known as neurogenesis, has been demonstrated in a number of animal studies, and is described in the following process chart:

<u>STEP 1:</u>	<u>STEP 2:</u>	<u>STEP 3:</u>	<u>STEP 4:</u>	<u>STEP 5:</u>	<u>DESIRED RESULT</u>
Systemic injection of neurogenesis-promoting agent	Proliferation of stem cells resulting in more stem cells than usual	Newly formed neural stem cells migrate to point of brain injury	Addition of differentiating neurogenesis-promoting agent may be administered	Migrating cells transformed into neural tissue	Neural tissue connects to healthy brain cells; restores lost function

Mechanism

Our technology makes use of the neurogenesis process to stimulate the regeneration of neural tissue in the body. Adult neural stem cells are always present in the human brain, where they are part of the body’s normal repair and renewal mechanism. In the brain, these stem cells, referred to as “resident” neural stem cells, can be found in two areas: one located in the hippocampus; and the other in a single cell layer lining the lateral ventricles. We are particularly interested in selectively controlling the adult stem cells located in the ventricles, as these cells have the potential to be mobilized to repair neural tissue in the areas of the brain affected by disorders such as stroke, among others.

Diagram of Human Brain Showing Ventricles



The ventricles (indicated by arrows) are fluid filled cavities located in the central regions of the brain.

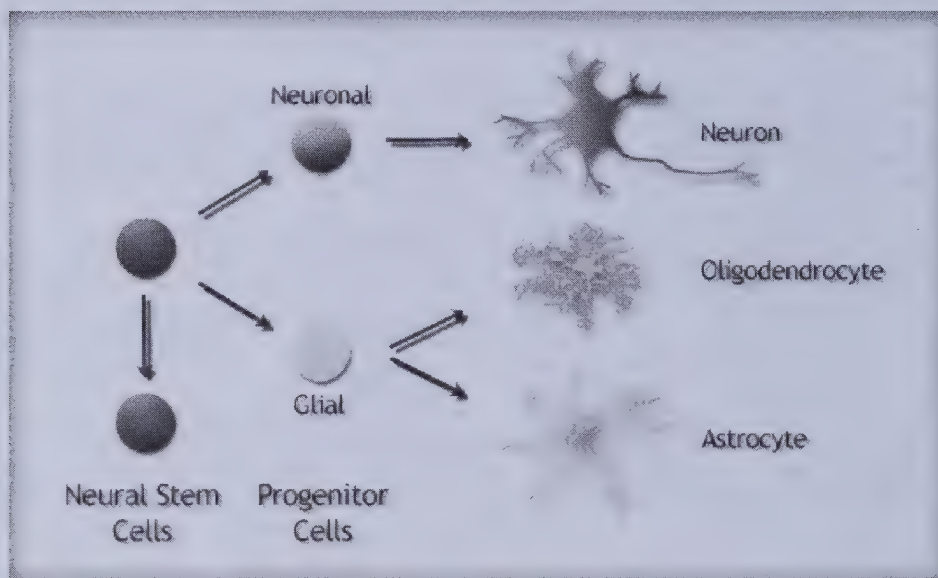
Cross Section of Rat Ventricle



Neural stem cells (bright dots, indicated by arrows) line the ventricles.

The process by which the body controls the growth and proliferation of adult neural stem cells is at the heart of how our technology works. In the last 15 years, researchers have made significant strides towards understanding the signals that the body uses to activate these resident neural stem cells. These signals prompt the stem cells to divide and differentiate into the different neural cell types, each of which has a specific and important function. Understanding this mechanism is useful for developing therapeutic approaches to repairing brain tissue. By taking advantage of the body’s built-in store of stem cells, and increasing their proliferation and differentiation into functional brain cells using our proprietary approach, we hope to stimulate the brain to repair itself and reverse the course of degenerative neural diseases.

Schematic Representation of the Process of Neurogenesis



The native neurogenesis-promoting mechanism is represented graphically in the diagram above. Initially, an adult neural stem cell present in the brain is stimulated to proliferate into “daughter” cells. The daughter cells may be identical to the original adult neural stem cell or they may take the next step and become neural progenitor cells. Neural progenitor cells can then mature, giving rise to the specialized cell types of the brain. In the absence of pharmaceutical intervention, the brain generates enough new adult neural stem cells to maintain approximately constant numbers of neural stem cells throughout an individual’s life.

When daughter cells give rise to neural progenitor cells, the progenitors are either neuronal progenitors or glial progenitors. Neuronal progenitors produce increased numbers of neurons, the cells that transmit electrical signals in the brain. Damage to neurons is seen with diseases or disorders such as stroke, Parkinson’s disease and Huntington’s disease. Glial progenitors, on the other hand, will produce new astrocytes and/or oligodendrocytes. Astrocytes are large, star-shaped cells which support the neurons in the brain and spinal cord. Oligodendrocytes function within the central nervous system by providing an insulating protective sheath around neurons. Examples of oligodendrocyte-related disorders include multiple sclerosis and spinal cord injury.

Directing the Mobilization and Maturation of Stem Cells using Neurogenesis-Promoting Agents

We have identified a number of signalling agents that control the process of neurogenesis. These agents are uniquely different from each other and can be selectively combined and used to stimulate further proliferation of the stem cells or to direct their differentiation to either neuronal or glial progenitors. These therapeutic agents vary in terms of their potency and potential for side effects.

One method of demonstrating the ability of a neurogenesis-promoting agent to cause proliferation of stem cells is to track the creation of daughter cells with the marker compound bromodeoxyuridine, known as “BrdU”. Experiments with neurogenesis-promoting agents that increase the number of stem cells result in increased BrdU-positive cells, which are easily visualized and counted under a microscope. Our researchers have used BrdU to track new cell development in living animals and, using this technique, they have screened and identified a number of drug candidates that stimulate the proliferation of neural stem cells.

There are three critical steps involved in demonstrating the activity of neurogenesis-promoting agents in animals. These three steps are summarized and then described in more detail below:

1. the agents are administered to cause proliferation of the adult neural stem cells present in the brain of the test animal;
2. the newly formed neural progenitor cells migrate through the brain of the test animal to the location in need; and
3. the progenitor cells differentiate into the appropriate cell type.

Step One: The first step requires the administration of the neurogenesis-promoting agents to animals by a variety of standard routes, including injections into the brain, into the muscle or under the skin. Proliferation of adult neural stem cells that are already resident in the brain of the test animal occurs, resulting in more adult neural stem cells and neural progenitor cells. It is important to note that at no time are stem cells themselves administered to the animals. Our therapeutic approach requires only the administration of therapeutic agents, not the introduction of isolated harvest stem cells themselves.

Step Two: The second important step which must take place for the stem cells to repair lost tissue is migration of the newly generated cells to the location where they are needed. Having more neural tissue is not beneficial unless it is in the location where the deficiency exists.

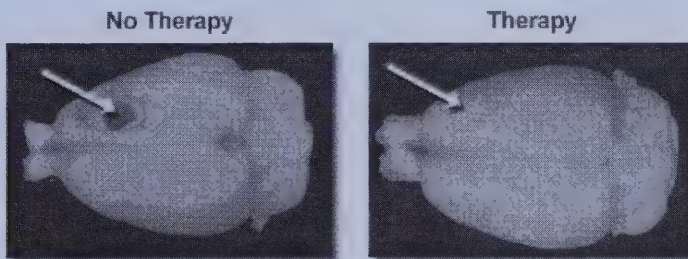
In animal models, we have found that when sufficient proliferation takes place, daughter cells produced by the stem cells will spontaneously begin to migrate through the brain. We have demonstrated that the migration of newly formed cells takes place following the stimulation of proliferation with neurogenesis-promoting agents by tracking such newly formed cells with BrdU.

If an injury or deficit has recently occurred in the brain, the newly formed cells appear to migrate preferentially to and localize at the areas of damage. While it is not yet clear why this happens, it is possibly due to specific injury-associated factors being released by the damaged areas of the brain which then act as “homing signals” for the newly formed and migrating cells. We utilize this natural homing effect in our approach to treating certain neurological disorders. In stroke, for example, recent injury apparently produces the required homing factors that cause newly formed stem cells to migrate to the injured area.

Step Three: The third and perhaps most crucial step that must take place in our induced neurogenesis approach to treating neurological disorders is the differentiation of the progenitor cells into the appropriate cell type. This allows the newly formed tissue to integrate into the existing brain structure and begin to restore the function lost as a result of the injury. We have identified a number of neurogenesis-promoting agents that preferentially induce differentiation of the neural progenitor cells into the various functional neural cell types.

To characterize the potency of neurogenesis-promoting agents, our collaborating researchers have performed a number of experiments in animal models. In one of these experiments, a stroke-like lesion was produced in rats followed by a regimen of neurogenesis-promoting proliferation and differentiation agents being administered continually for one week each. After sufficient time (typically four to six weeks) to allow the cells time to re-grow, it was found that those animals that received both the proliferation and differentiation agents had re-grown tissue, filling the void where the original brain tissue had been lost through injury. This novel finding provided the fundamental evidence that our concept of inducing neurogenesis to achieve restoration of lost brain tissue was sound.

Neurogenesis-Promoting Agents Cause Re-growth of Brain Tissue



Arrows indicate the location of the stroke-like lesion in each rat brain. The brain of the animal that received proliferation and differentiation therapy showed that a plug of neural tissue had grown to fill the lesion cavity.

Cross Section View



Higher magnification revealed the differences in the brains of animals that were either (left) not given a stroke, (middle) lesioned but received no therapy, or (right) lesioned and provided with the proliferation and differentiation therapy. The plug of new neural tissue was clearly visible, filling the cavity.

Our therapeutic approach provides replacement of brain tissue and restoration of lost function.

To test whether or not this re-growth of brain tissue actually correlates to functional recovery of the stroke animal's motor skills, our collaborators next tested for changes in the experimental animal's ability to use its limbs. Inducing a stroke-like lesion on one side of the brain causes a defined paralysis in the opposite side of the experimental animal. Testing for functional recovery from paralysis was the primary outcome of this study.

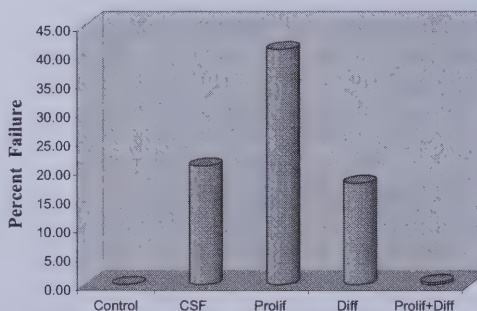
Noticeable improvements in motor function were observed following the administration of a unique therapeutic regimen of neurogenesis-promoting agents, as assessed by various behavioural tests carried out on the animals. For example, in the first test, a tray reaching test, the animals that were administered neurogenesis-promoting agents demonstrated a substantial recovery of lost motor function. In this test, groups of five animals were tested for ten minutes each in attempts to grasp food. An "attempt" was counted when the animal touched the food and a "success" was counted when the animal brought the food into its cage. Statistical analysis found that the measured effect of therapy was statistically significant with regard to the treatment received (see diagram below).

Tray Reaching Test



In this test, the animal had to reach through a narrow opening to grasp a food pellet without dropping it.

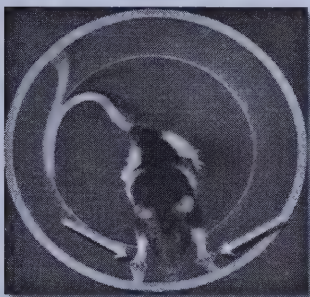
Treated Animals Demonstrated Better Fine Motor Control



At six weeks, animals treated with proliferation ("prolif") and differentiation ("diff") agents did not drop the pellets as often as animals given a stroke but not given both agents. The animals in the "CSF" group were also given strokes but not provided with either agent.

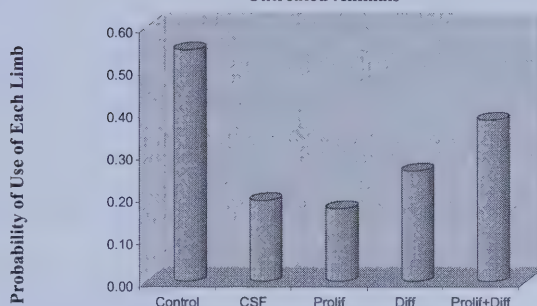
A second experimental approach was employed to build upon the evidence of improved functional recovery of limb use. When the same experimental stroke animals were tested for asymmetry of limb use, a determination of which forelimb the animals prefer to support their weight with, substantial recovery was again observed. In this test, researchers counted the number of times within a five minute period the animals reared up on their hind limbs and stabilized their posture by placing the paralyzed or unparalyzed limb against the cylinder cage. Healthy animals would typically use each limb equally, therefore a normal score on the scale equals 0.5. Statistical analysis found that the measured effect of therapy was statistically significant with regard to the treatment received (see diagram below).

Asymmetry of Limb Use Test



Animals were placed in a cylinder too small for them to rest on all four limbs. In rearing up on their hind limbs, they used both left and right forelimbs equally unless one had been paralyzed.

Treated Animals Used Both Forelimbs More Than Untreated Animals



At six weeks, animals that had been given a stroke and received our proliferation ("prolif") and differentiation ("diff") agents showed more equal use of left and right forelimbs than those that did not receive either or both treatments (indicated as "CSF"). Equal use occurs at 0.50 probability.

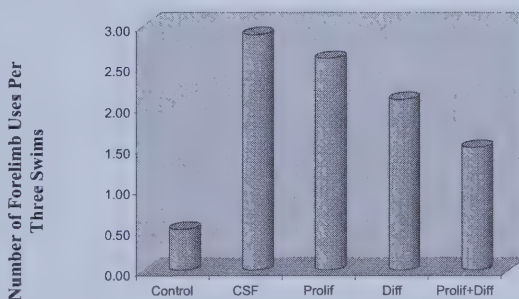
In a third motor skill test the same animals were examined for limb inhibition, which tests how tightly the experimental animal can hold its formerly paralyzed limb to its chest while swimming. In this test, a substantial recovery of function was demonstrated following administration of our proliferation and differentiation agents. A normal animal does not use its forelimbs to swim; therefore, a lower number of forelimb uses demonstrates reversion to a normal, pre-stroke state. Forelimb inhibition was measured by counting the number of uses of the animal's forelimbs during three swims towards a visible platform along the length of a 90 cm long aquarium filled with water at room temperature. Statistical analysis found that the measured effect of therapy was statistically significant with regard to the treatment received (see diagram below).

Swimming Inhibition Test



Healthy rats tucked their forelimbs (arrow) in tightly to their chests and did not use them when swimming. Animals given a stroke used their damaged forelimbs to swim.

Treatment Improved Control of Forelimbs



Six weeks after receiving proliferation ("prolif") and differentiation ("diff") agents, test animals given a stroke used their forelimbs less than those animals that did not receive either or both agents (indicated as "CSF").

Taken together, we believe that these functional recovery results in animal studies support and validate the use of our neurogenesis-promoting therapeutic approach as a potential treatment for human neurological disorders such as stroke. The results of these animal studies, in the Company's opinion, demonstrate that if neurogenesis-promoting agents can re-grow tissue and lead to motor skill recovery in animals, it is possible that the same result may appear in humans which warrants further research and progression to clinical trials.

Lead Product Candidate – NTxTM-265

Since these animal experiments were completed, we have identified additional agents not previously known to be neurogenesis-promoting. These agents are considered by us to be more commercially and therapeutically attractive. These agents appear to initiate proliferation of neural stem cells at a level equal to or greater than the neurogenesis-promoting agents that were previously tested and are also potentially safer to administer and simpler to commercialize.

This unique combination of therapeutic compounds is our lead therapeutic product, which we have termed NTxTM-265.

Our new lead therapeutic candidates are particularly attractive because they:

- are already approved by the United States Food and Drug Administration (“FDA”) as treatments for other diseases. Thus, we anticipate that development timelines and costs could be greatly reduced. Furthermore, these drugs have established a safe clinical profile during regular use and therefore represent less development risk than completely new compounds;
- provide prospective marketing, manufacturing and development partners in the form of the large international drug companies that are already manufacturing and marketing these agents for other diseases; and
- have been demonstrated by us to be active when provided peripherally by injection into regions other than directly into the brain. This allows us to potentially avoid the complications attendant with competing therapeutic approaches that require intra-cranial injection or stem cell implantation.

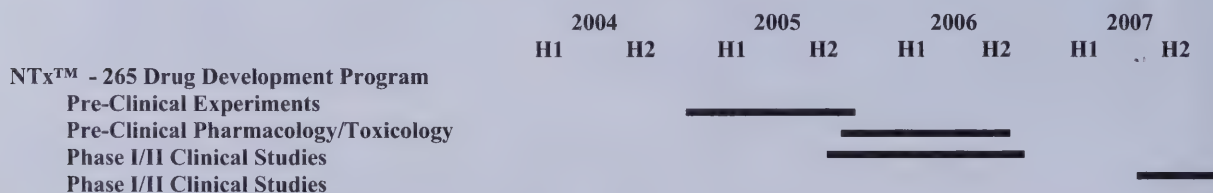
Our unique approach should reduce the medical risk associated with injection or implantation of compounds or cells directly into a patient’s brain. This provides us with a key point of differentiation from our competitors.

Development Program

Our current products under development are based on novel combinations and applications of products that are currently on the market to treat other, non-central nervous system disease indications. This is expected to decrease development timelines and costs due to the substantial body of pre-clinical and human clinical trial information that has substantiated both the efficacy and safety of these drugs.

The next step in the development of our lead neurogenesis-promoting agents is to complete studies in animals optimizing the dosage, route of administration and other therapeutic parameters. Additionally, we will need to conduct standard pre-clinical pharmacology and toxicology testing to support the safety and efficacy of our therapeutic compounds.

NTxTM - 265 Initial Product Development Timeline



Currently, we anticipate the initiation of our pre-clinical optimization and bioanalytical experiments in late 2004 or early 2005. We expect that it will take us approximately one year to complete these studies, after which we intend to work expeditiously to begin testing NTxTM-265 in humans.

To commercialize NTxTM-265, we will conduct human clinical studies following an efficient and safety-conscious development plan. We currently have a pro forma clinical development plan in place to help define our requirements and timelines.

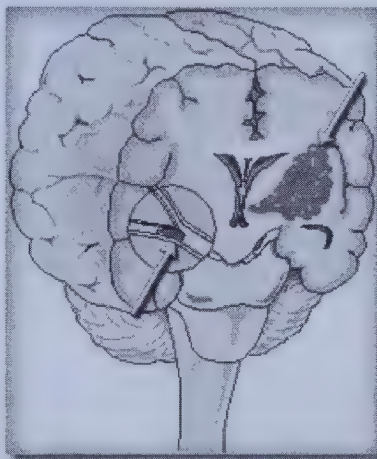
We hope to enter the human clinical phase of development with NTxTM-265 towards the end of 2005 or beginning of 2006 in a Phase I/II clinical study for our proposed lead indication of stroke. We anticipate that a relatively short initial clinical study period will allow us to collect the necessary data, and we hope to be initiating our next Phase I/II clinical study, indications to be determined, in 2007. We estimate the cost of developing NTxTM-265 through the end of 2007 will be approximately \$3,143,000.

Because we will be testing neurogenesis-promoting agents that are already approved for use in humans in other diseases, we anticipate that we will be able to carry out some of our pre-clinical pharmacology and toxicology studies in parallel with our first human study, rather than in advance of it as most drugs are typically required to do. As well, we may not be required to go through the costly and time-consuming manufacturing scale-up and regulatory approval process for our compounds as we expect to be able to buy our compounds in a human-use-approved form directly from manufacturers.

Lead Program – Stroke

Stroke is the lead disease indication being targeted by the Company's therapeutic approach. We have chosen stroke as our lead program because it represents both an attractive market opportunity and potentially viable application for our technology platform.

Cross Section Diagram of Human Stroke



Human strokes are either caused by blood vessel blockage (left arrow, termed "acute ischemic") or blood vessel leakage (right arrow, termed "hemorrhagic"). Reduction of oxygen in the brain results in the death of neural tissue.

A human stroke is essentially a heart attack in the brain, in which blood flow is blocked or a blood vessel bursts, resulting in a reduction in blood flow to certain regions of the brain. This interrupted blood flow causes a reduction in oxygen available to affected regions of the brain and cells located there subsequently die. Normally, following injury, brain tissue does not spontaneously regenerate and strokes therefore typically cause irreversible damage. As stroke events can lead to a wide area of dead and damaged neuronal cells in the patient's brain, and an associated loss of cognitive function and motor control, they can be extremely serious or fatal to the patient. A massive loss of neurological function is often the result. However, the regeneration of new, functional brain tissue may lead directly to an improvement in stroke patients' motor control and thus to improved patient health and quality of life.

Anticipated Product Development Costs

Our product development approach mirrors our overall business philosophy: an efficient and focused execution of our plan that minimizes both development time and cost. To accomplish this, we will continue to employ a cost effective strategy that includes keeping personnel and overhead costs low through the use of qualified collaborators and outside consultants. As a result, we are able to focus our available resources on our product development and commercialization efforts. Our initial forecast of our expenses indicates that we will require approximately \$6 million to \$7 million over two years to execute the development plan that we have formulated.

Our Business Strategy

The key focus of our business strategy is to combine internationally recognized stem cell science with an efficient development approach, targeting large unmet market needs with the novel application of drugs that are currently used to treat other diseases. We are focusing the development of our technology platform and intellectual property on the ability to induce a patient's own stem cells to

undergo neurogenesis. Neurogenesis is a normal developmental process in which neural stem cells are stimulated to proliferate, migrate and then differentiate into mature, functional neural tissue in the brain. See “Our Technology – Neurogenesis Process”.

Our core intellectual property assets were developed in the laboratory of the distinguished neuroscientist Dr. Samuel Weiss at an Alberta based university. These intellectual property assets were acquired by the Company from Dr. Weiss, Mr. Christopher Gregg and two other co-inventors on April 1, 2004. Dr. Weiss and his co-inventors discovered a unique combination of compounds that stimulate adult stem cells to proliferate, migrate, and differentiate within the brain itself. We believe that this discovery may have applications for the treatment of stroke and the many debilitating neurodegenerative diseases that affect hundreds of thousands of people each year. As the “baby boomer” population ages and life expectancies increase further, the number of people suffering from stroke and neurodegenerative diseases is expected to grow markedly.

We are developing a series of treatments for stroke patients and patients with various neurodegenerative diseases who can benefit from the selective growth of new functional brain cells. The ability to develop new treatments that are both effective and safe is being enhanced through the novel “new use” application of approved drugs that are currently being used to treat other diseases. It is our hope that the technologies we are developing will provide the platform for new therapies for a variety of diseases of the central nervous system including Huntington’s disease and Alzheimer’s disease. Additionally, the time and cost to gain regulatory approval for our products is expected to be reduced by leveraging the vast body of pre-clinical and human clinical data that has been amassed for these compounds.

The American Heart Association has recently estimated that the direct and indirect economic costs of stroke (our lead disease indication) in the United States will total US\$53.6 billion in 2004. We believe that the amount spent on drugs to treat stroke vastly under-represents the market opportunity simply because the currently available therapies will not help most patients recover brain cells damaged or destroyed by stroke. In addition, we believe that the currently available therapies will not help most patients recover neuronal cells damaged or destroyed by stroke because these therapies are mainly intended to restore blood flow and not to regenerate lost neuronal tissue.

Additionally, high cholesterol and poor diet are two factors, among others, that have led to an increase in cardiovascular disease, which combined with the aging population, has resulted in an increased risk of stroke. According to the Heart Disease and Stroke Statistics – 2004 Update, in the United States the prevalence of stroke was one in 50. This translates into someone suffering a stroke every 45 seconds and someone dying from a stroke every three minutes. Each year, about 700,000 people in the United States experience a new or recurrent stroke, of which approximately 500,000 are first attacks and 200,000 are recurring strokes. This makes stroke the third leading cause of death after cancer and heart disease. A June 2004 article written by S. Friefeld, O. Yeboah, J.E. Jones and G. DeVeber entitled “Health related quality of life and its relationship to neurological outcome in child survivors of stroke” provides evidence that there is also an increasing number of children being affected by stroke in Canada.

We intend to develop our products through exploratory Phase I/II studies, following which we would look to take on one or more partners with larger economic bases to share the costs involved in further studies and development.

Our Management Team

Our management team includes Dr. Joseph Tucker as President and Chief Executive Officer. Dr. Tucker was formerly Vice President, Strategic Development at Resverlogix, a Calgary-based TSX-V-listed company. Additionally, Mr. Mark Wayne, founder of the AltaFund Investment Corp. in 1987 and current director and officer of several public and private companies, is the Company’s Chief Financial Officer. Pre-clinical and clinical product development will be led by Dr. Allen Davidoff, our Vice President, Product Development, who brings his experience in guiding the pre-clinical and clinical congestive heart failure drug development program as Senior Clinical Scientist – Congestive Heart Failure at Cardiome Pharma Corp., a Vancouver-based TSX-listed company. Dr. Brett Schönekeß, co-founder of Mind to Market Solutions Inc., a life sciences consultancy, and Bortec Biomedical Ltd., a medical device company, is Vice President, Operations and Corporate Secretary of the Company. See “Executive Officers, Key Employees and Directors”.

Human Resources

Effective December 1, 2004, we will have three full-time employees and two contract employees, three of whom hold Ph.D.s.

Facilities

Our head office is located at Suite 1000, 1520 – 4th Street S.W., Calgary, Alberta T2R 1H5, and our registered office is located at 3300, 421 – 7th Avenue S.W., Calgary, Alberta T2P 4K9. The Company does not have any laboratory facilities, nor does it lease laboratory

space. All research is performed under research contracts with Dr. Weiss and an Alberta based university and other contract research organizations.

Competition

There is clearly a lack of effective treatments for reducing and repairing the damage caused by stroke. Knowing the warning signs and acting quickly greatly increases the chances of receiving the most effective treatment for any type of stroke. Although stroke can arise as a result of several initiating mechanisms, the immediate treatment for the various types of stroke differs. For example, ischemic stroke is treated by removing the obstruction(s) and restoring blood flow to the brain. In hemorrhagic stroke, on the other hand, doctors introduce an obstruction to prevent rupture and bleeding of aneurysms and arteriovenous malformations.

The most frequently used classes of drugs to prevent or treat stroke are antithrombotics (anti-platelet agents and anticoagulants), thrombolytics, anticoagulants and neuroprotective agents. Activase®, Genentech's product used to treat stroke as well as other indications, had sales of US\$152 million for nine months ending September 30, 2004. When launched in 1996, the sale of Activase® totalled over US\$284 million. Some of the emerging treatments are "improvements" of drugs in these categories. Improvements to stroke therapeutics usually focus on enhancing the safety profile of the existing thrombolytic drugs and extending the time that the thrombolytic therapy is effective. New drug combinations as well as "novel mechanism" therapies (such as neuroprotectants or anti-inflammatory agents) are being developed. To date we are not aware of any therapeutics available that will effectively promote functional recovery after a stroke by actively directing neuronal re-growth.

Non-Fetal Stem Cell Sources

Stem cell research and its application to human diseases typically involves the harvesting and use of fetal stem cells. Although this approach may be scientifically valid, it is plagued by moral and ethical questions. The Company is developing a technology platform that will utilize a patient's own stem cells in order to replace damaged or dying neuronal tissue. In fact, we only administer stem cell activating agents to the patient, stimulating the patient's own stem cells to repair the damage. This approach circumvents the need for harvesting fetal stem cells from human embryos or aborted fetuses as done by several of our competitors, and therefore avoids many of the associated moral and ethical issues as well as regulatory restrictions.

The closest competitors to the Company are those that are utilizing non-fetal sources of stem cells or those pursuing the development of unproven small molecules to grow new stem cells in laboratory dishes or by purifying stem cells and growing them in the laboratory for eventual transplantation into a patient.

We compete with a variety of companies on a product by product basis as well as a technology platform basis. These potential competitors include, but are not limited to:

- Advanced Cell Technology, Inc. is a private biotechnology company that has five proprietary technologies to generate patient-specific human embryonic stem cells that can differentiate into any of the approximately 260 human cell types. These stem cells would then be used as transplants to replace diseased or destroyed cells in human patients. Advanced Cell Technology is pursuing a Phase I/II trial in the United States for bone-fracture. They have several cell therapy related trials proposed for the European Union in a variety of areas not related to the Company's area of focus.
- Curis, Inc. (NASDAQ: CRIS) is a therapeutic drug development company utilizing a so-called "Hedgehog" protein to accelerate the restoration of nerve function in models of nerve trauma and disease. Modulation of the Hedgehog pathway is purported to have a potential therapeutic effect in treating certain human neurological disorders. Curis is still in the pre-clinical drug development stage for several small molecules aimed at restoring nerve function.
- Geron Corporation (NASDAQ: GERN) is developing cell-based therapeutics for diseases based on differentiated cells derived from human embryonic stem cells, including neural cells for spinal cord injury and Parkinson's disease. Geron plans to initiate a Phase I clinical trial with their lead product in 2004 with a focus on acute spinal cord injury.
- Kaleidos Pharma, Inc., formerly called Stem Cell Pharmaceuticals, Inc., is a private biotechnology company focusing on TGF alpha which stimulates adult stem cells to proliferate and respond to injury signals released by diseased or damaged tissue. These stem cells then purportedly migrate to the area of disease or trauma and

regenerate functional tissue. Our understanding, based on information published on their website, is that Kaleidos Pharma planned to take their lead TGF-alpha product into a Phase I/II trial in 2004.

- NeuroNova AB is a privately held Swedish biopharmaceutical company that aims to restore normal central nervous system function by stimulating stem cells in the brain to generate new neurons. NeuroNova AB also seeks to reverse neurological deficits through the transplantation of cultured adult human neural stem cells. NeuroNova's program is still in the development stage with several clinical candidates being pursued on a pre-clinical level.
- StemCells, Inc. (NASDAQ: STEM) purifies stem cells from the other cells in the brain tissue, and then expands the number of these cells using proprietary cell culture systems. Ultimately the expanded population of stem cells is then transplanted back into the host where they differentiate into neuronal cells. StemCells, Inc. has a lead product/therapy in the development stage, and expects to file an Investigational New Drug application in early 2005 for the treatment of Batten's Disease.

The foregoing list is not exhaustive and additional competitors may exist or may emerge over time. These competitors may have substantially greater resources than we do and may develop marketable products more quickly than we are able to do. This competition may have a materially adverse effect on the Company. See "Risk Factors – Competition".

Patents and Proprietary Rights

The Company's NTxTM-265 technology was originally developed by Dr. Samuel Weiss at an Alberta based university. We acquired 100% ownership of this intellectual property from Dr. Weiss and his co-inventors in exchange for shares in the Company and \$2,000 in cash consideration. The Company was formed specifically to commercialize this technology.

The Company currently owns or has rights to 30 patent applications, including provisional and utility applications in the United States and Patent Cooperation Treaty applications filed for international coverage. Eight of these applications are published United States applications, four are published European Patent Office applications and three are published Patent Cooperation Treaty applications. Some of these applications were filed by us and others were acquired through our acquisition of Stem Cell Therapeutics Inc. ("Stem Cell") which occurred on October 4, 2004. See "The Company - Acquisition of Stem Cell Therapeutics Inc."

Our intellectual property portfolio covers several methods and treatments for neurological disorders through the use of approved drugs or other agents in unique combinations.

We intend to protect the intellectual property developed by the Company through the filing of patent applications within the appropriate jurisdictions worldwide in order to protect our therapeutic approach and provide the required protection for the eventual marketing of our therapeutic products. Additionally, through our technology license and research contract with an Alberta based university and the laboratory of Dr. Weiss, under which we pay consideration to such Alberta based university, we in turn acquire 100% ownership in any new intellectual property developed by Dr. Weiss and his research group during the term of this contract, pertaining to the development of novel methods to induce neurogenesis. As a result of this contract, we have filed one new patent application and we intend to file others. The contract is for one year and will terminate on February 13, 2005 unless renewed or terminated prior to this date. The Company is responsible for payments of \$10,000 each month plus 40% of overhead costs associated with the actual total expenditures, due quarterly in advance, with the actual expenditures to be reconciled each quarter.

Acquisition of Stem Cell Therapeutics Inc.

On October 4, 2004, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Stem Cell (the "Stem Cell Shares") from Transition Therapeutics Inc. ("Transition"). Pursuant to this agreement, the Company agreed to pay Transition an aggregate purchase price of \$3,500,000 as consideration for the Stem Cell Shares. The purchase price is payable in instalments beginning at closing when the amount of \$325,000 was paid and thereafter payments are required on the anniversary of closing in each of the following four years in the amounts of \$475,000, \$400,000, \$650,000 and \$1,650,000, respectively. Except for the initial payment on closing, all subsequent payments may be made, at the Company's election, either by cash or through the issuance of Common Shares; provided that the Company may only elect to issue Common Shares as payment for the final instalment if the Common Shares are at such time listed and posted for trading on a recognized stock exchange. At closing, the certificates representing the Stem Cell Shares were placed in escrow subject to the payment in full of the purchase price, such payment being secured by a security agreement. Dr. Tony Cruz, the Chief Executive Officer of Transition, was appointed to the Company's board of directors on November 1, 2004 subsequent to the closing of the Stem Cell acquisition.

Stem Cell develops stem cell-based human therapies. In addition to the technology listed above, as a result of its acquisition of Stem Cell, the Company acquired all of the intellectual property and licensed processes and products developed to date by Stem Cell which includes a portfolio of 27 patent applications primarily resulting from Dr. Weiss' earlier work, some being in the United States and some worldwide. The intellectual property acquired through the purchase of Stem Cell protects complementary therapeutic agents and approaches to the treatment of additional neurological disorders beyond those we are already targeting with our initial development program. Management of the Company believes that the Stem Cell acquisition complements our existing technology platform and enhances our product development opportunities.

Regulatory Environment

Overview

Our products will be subject to various regulatory approvals, with the specific regulatory requirements being dependent upon the type of product. Our pharmaceutical product candidates are subject to regulatory oversight for both their safety and efficacy by various governmental authorities around the world.

The Regulatory Process for Drug Development

In the United States, it normally takes 12 to 15 years, on average, for a typical experimental drug to go from concept to approval. This process of drug approval is summarized in the figure below:

Discovery + Preclinical		FILE IND	Phase I	Phase II	Phase III	FILE NDA	FDA	Approval
Average Years	4 to 6		1 to 2	1 to 3	2 to 5		0.5 to 2	Total Average – 12 to 15 years
Test Population	Laboratory Research and Animal Studies		Most indications 20 to 80 Healthy Volunteers – except in cancer and other critical diseases where ill patients participate	Most indications 100 to 300 patient volunteers	Most indications 1,000 to 3,000 patient volunteers		Review Process	Post-marketing safety monitor
			Cancer 20 - 50	Cancer 50 - 300	Cancer 300 - 1,000			Large-scale manufacturing
Purpose	Biology, Function and Chemistry, Assess safety efficacy and PK of lead compounds in animals		Determine safety, schedule, PK, PD and potential Phase II doses	Evaluate activity, effectiveness, safety, dose, response relationships, identify short term side effects, optimal doses and regimens	Verify effectiveness, monitor adverse reactions from long-term use.			Distribution
				Expedited Review: Phases II and III combined to shorten approval process on new medicines for a serious and life-threatening diseases.				Education

The production and manufacture of our product candidates and our research and development activities are subject to regulation for safety and efficacy by various governmental authorities around the world. In the United States, drugs and biological products are subject to regulation by the FDA. There are other comparable agencies in Europe and other parts of the world. Applicable legislation requires licensing of manufacturing and contract research facilities, carefully controlled research and testing of products, governmental review and/or approval of results prior to marketing therapeutic products. Additionally, adherence to good laboratory practices, good clinical practices during clinical testing and good manufacturing practices during production is required. The system of new drug approval in the United States is generally considered to be the most rigorous in the world. In Canada, these activities are regulated by the Food and Drug Act and the rules and regulations promulgated thereunder, which are enforced by the TPD.

Briefly, the steps required for drug approval in the United States and Canada are:

Pre-clinical Animal Studies: Prior to pre-clinical studies, a discovery phase takes place for approximately four to six years which involves validation of target and function, design, screening, synthesis and formulation. Pre-clinical studies also involve evaluations of toxic effects and pharmacokinetics and metabolism of a drug in animals to provide evidence of the safety and bioavailability of the drug prior to its administration to humans in clinical studies. The results of the pre-clinical studies as well as the comprehensive descriptions of proposed human clinical studies are then submitted as part of the Investigational New Drug application to the FDA and TPD.

Phase I Clinical Trials: Phase I clinical trials are usually first-in-man trials, take approximately one to two years to complete and are generally conducted on a small number of healthy human subjects to evaluate the drug's safety, schedule and dose, pharmacokinetics and pharmacodynamics. However, in case of life-threatening diseases, such as cancer, the initial Phase I testing may be done in patients with the disease, and these trials typically take longer to complete and may provide insights into activity.

Phase II Clinical Trials: Phase II clinical trials take approximately one to three years to complete and are carried out on a relatively small to moderate number of patients (compared to Phase III) in a specific indication to determine the drug's activity, effectiveness, optimal dose regimen, schedule, and dose response relationship. This phase also provides additional safety data and serves to identify possible common short-term side effects and risks in a larger group of patients.

Phase III Clinical Trials: Phase III clinical trials take approximately two to five years to complete and involve tests on a much larger population of patients (several hundred to several thousand patients) suffering from the targeted condition or disease. These studies usually include randomization of patients and blinding of both patients and investigators at geographically dispersed test sites (multi-centre trials) to establish clinical safety and effectiveness.

New Drug Application: Upon completion of Phase III clinical studies, the company sponsoring the new drug then assembles all the pre-clinical and clinical data and submits it to the TPD and/or the FDA as part of a New Drug Application in the United States or a New Drug Submission in Canada. The New Drug Application or New Drug Submission is then reviewed by the regulatory body for approval to market the product. This process usually takes six months to two years to complete.

SELECTED FINANCIAL INFORMATION

Selected Quarterly Financial Information

The following table sets out selected financial information for each of the two quarters ended June 30, 2004 and September 30, 2004. In the opinion of our management, this information has been prepared on the same basis as the audited financial statements appearing elsewhere in this prospectus, and all necessary adjustments have been included in the amounts stated below to fairly present the results when read in conjunction with our audited financial statements and the notes to those statements. These results should also be read in conjunction with our Management's Discussion and Analysis. The operating results for any quarter or quarters should not be relied upon as any indication of results for any future period.

	Quarter Ended June 30, 2004	Quarter Ended September 30, 2004
	(\$000's except per share amounts) unaudited	
Revenues.....	Nil	Nil
Net loss	119	149
Total assets	545	1,094
Long term debt (including current portion)	Nil	6
Loss per		
Common Share ⁽¹⁾	0.01	0.01
diluted ⁽²⁾	0.01	0.01

Notes:

- (1) Based on 8,085,790 weighted average shares outstanding for the quarter ended June 30, 2004 and 12,012,444 weighted average shares outstanding for the quarter ended September 30, 2004.
- (2) Based on 8,085,790 weighted average shares outstanding for the quarter ended June 30, 2004 and 12,012,444 weighted average shares outstanding for the quarter ended September 30, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Financial Condition and Results of Operations is as at September 30, 2004.

The following information should be read in conjunction with our selected financial data and financial statements and related notes appearing elsewhere in this prospectus, which are prepared in accordance with Canadian generally accepted accounting principles. Certain information contained in management's discussion and analysis of our financial condition and results of our operations constitute forward looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. See "Forward Looking Statements" and "Risk Factors".

Overview

We are a biotechnology company focused on the development of our technology platform and intellectual property to selectively induce a patient's own stem cells to proliferate in the brain. Our core technology has been demonstrated to increase the number of innate adult stem cells that grow in place when our therapeutic approach is applied to test animals. This fundamental technology will be further developed to create specific disease treatments for stroke, Huntington's disease, Alzheimer's disease and other neurodegenerative conditions. Our collaborators and researchers have used animals to demonstrate re-growth of functional brain cells from existing stem cells using our therapeutic approach. Since these tests were completed, we identified additional agents that may be used for neurogenesis-promoting from which we have created a combination of agents and termed it NTxTM-265. We plan to test NTxTM-265 in humans after our pre-clinical testing.

Review of Operations

Net loss for the six months ended September 30, 2004 was \$268,365, which amounts to a loss of \$0.03 per Common Share for the period. The loss is reflective of costs associated with intellectual property development, research contracts with an Alberta based university, option grants and management fees.

Expenses

We have not generated any revenues from product sales to date and do not expect to do so for a number of years. Revenues to date include only interest income generated on our cash balances. For the six months ending September 30, 2004, interest income was accrued and received in the amount of \$1,949.

Our research and development expenses consist primarily of fees paid to external service providers. We expect our research and development expenses to increase significantly over the next few years as our products enter clinical trials and we continue to advance other research and development programs. As a result of the risks and uncertainties that are discussed in the "Risk Factors" section of this prospectus, we are unable to estimate the specific timing and future costs of our research and development programs. The Company has a contract with an Alberta based university to further develop stem cell related therapies. For the six months ended September 30, 2004, the research and development charge was \$105,000. Regarding NTxTM-265, our lead product candidate, we plan to initiate pre-clinical studies in early 2005 which we expect to take approximately one year to complete and then plan to begin testing in humans by the end of 2005 or early 2006. We have spent \$105,000 in research and development up to September 30, 2004 and anticipate requiring \$6 million to \$7 million over the next two years to achieve our development plan.

General and administrative ("G&A") expenses for the six months ended September 30, 2004 were \$30,322 consisting primarily of rent, office supplies and travel expenses.

During the first six months of the Company's operations ending September 30, 2004, an expense was recorded in the amount of \$20,000 for stock options granted to directors and employees. See "Compensation of Directors and Officers – Stock Option Plan."

Professional Fees

Professional fees reflect charges for intellectual property development (i.e. patents) and corporate development with regards to the formation of the Company. For the six months ended September 30, 2004, a \$67,971 charge was expensed for these services which was primarily for intellectual property development and accrued audit services relating to the preparation of financial statements.

Management Costs

Management fees for the six months ended September 30, 2004 totalled \$45,370. This charge represents consulting and payroll fees to the Company's management.

Investment Tax Credits

We are entitled to Income Tax Credits ("ITCs") based on certain scientific research and experimental development expenditures. ITCs are recorded at full value when there is reasonable assurance of their recovery using the cost reduction method. We will no longer be eligible for the refundable portion of ITCs for scientific research and experimental development expenditures for the taxation year in which the Offering is completed and for subsequent taxation years. ITCs for the taxation year in which the Offering is completed and for subsequent taxation years will be available only to reduce future income taxes, if any.

Liquidity and Capital Resources

Our primary capital needs are for funds to support our scientific research and development activities including pre-clinical and clinical trials and capital expenditures for development of facilities and working capital.

The Company's specific capital commitments include payment to lease office space which will total \$59,115 from October 1, 2004 until expiry of the lease on December 31, 2005. We will also incur capital expenses pursuant to service agreements for the next five years for a total of \$1,940 through 2010.

The Company has raised significant operating capital since its inception. For the six months ended September 30, 2004, gross proceeds of \$1,175,010 was raised from initial subscribers to the Company's capital. This capital has provided the Company with the resources required to establish the corporate office, further develop intellectual property pursuant to an Alberta based university research contract, as well as provide the initial payment for the purchase of Stem Cell from Transition. See "The Company – Acquisition of Stem Cell Therapeutics Inc." On November 19, 2004 the Company completed a \$250,000 private placement of 1,000,000 Common Shares at an issue price of \$0.25 per Common Share. As of November 30, 2004 the working capital for the Company was \$693,000. The Company estimates that this will provide enough capital to sustain its operations for twelve months based on historical burn rates.

The Company believes that the Offering, which is anticipated to provide \$6.5 million to \$7.5 million in net proceeds, will provide enough capital for the Company to operate and implement its current product development plan for the next two years.

Financing Activities

Financing activities have included several rounds of capital sourcing and share issuances. These have provided the Company with aggregate total gross proceeds of \$1,460,011 as of November 30, 2004.

The Company's ability to continue as a going concern is contingent upon its ability to obtain additional sources of funding to finance future operations. Efforts will be required to obtain these additional funds, but there is no assurance that additional financing will be available on acceptable terms, if at all. See "Risk Factors".

Investing Activities

The Company has invested capital into intellectual property development and patent filing activities and basic corporate office infrastructure.

Related Party Transactions

Pursuant to an employment agreement entered into on April 1, 2004 with Dr. Joseph Tucker as the President and Chief Executive Officer of the Company, an aggregate of \$27,400 in management fees and salary was paid to Dr. Tucker for the six months ended September 30, 2004. His employment agreement has an indefinite term. Pursuant to an employment agreement entered into on September 1, 2004 and amended on November 24, 2004, with Dr. Brett Schönekeess as Vice President, Operations and Corporate Secretary of the Company, an aggregate of \$14,000 in consulting fees and salary was paid to Dr. Schönekeess for the six months ended September 30, 2004. His employment agreement has an indefinite term. See "Compensation of Directors and Officers - Employment Agreements".

The Company has arranged for its research program to be carried out in the laboratory of Dr. Samuel Weiss at an Alberta based university. For the six months ended September 30, 2004, the Company incurred and has accrued research fees for these services totalling \$105,000. This contract will expire on February 13, 2005 unless earlier terminated or renewed. The Company is obligated to pay the university, quarterly in advance, \$10,000 per month plus overhead of 40% of the actual total expenditures which will be reconciled each quarter.

Risks and Uncertainties

Prospects for companies in the biotechnology industry may generally be regarded as uncertain given the nature of the industry. Accordingly, investments in biotechnology companies should be regarded as highly speculative. The realization of our long-term potential will be dependent upon the successful development and commercialization of products and product candidates currently under development. We can make no assurance that these products and product candidates will be developed or that they will receive regulatory approval. Our new products and product candidates are currently in the research and development stages, the highest risk stages for a company in the biotechnology industry. We can make no assurance that our research and development programs will result in commercially viable products and product candidates. To achieve profitable operations, we, alone or with others, must successfully develop, launch and market our products and product candidates. To obtain regulatory approvals for the products and product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the products and product candidates are safe for human and/or animal use and that they demonstrate efficacy. Unsatisfactory results obtained from a particular study relating to a research and development program may cause the company or its collaborators to abandon their commitments to that program. We can make no assurance that any future tests, if undertaken, will yield favourable results. See "Risk Factors".

Intellectual Property and Proprietary Information

The Company has several patent filings in progress that it has filed as well as others recently acquired from Stem Cell Therapeutics Inc., none of which have been issued to date. The Company's success is dependent upon its ability to obtain these patents; however, there is no guarantee that they will be obtained, and, if obtained, the Company may not be able to successfully defend any subsequent infringements to these patents. The Company is currently unaware that it has infringed any existing patents issued to third parties and the Company's success will, in part, depend on operating without such infringement. The presence of such patents could severely limit the Company's ability to conduct its existing research and/or require financial resources to defend litigation, which may be in excess of the Company's ability to raise such funds. Additionally, the Company relies on trade secrets, know-how and other proprietary information as well as requiring its employees, consultants, advisors and collaborators to sign confidentiality agreements.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results can differ from those estimates. Significant estimates have been made in the following areas; the calculation of the ITCs receivable, the useful lives of property and equipment, intangibles and the valuation of stock options. Property and equipment and intangibles are recorded at cost less accumulated amortization.

Non-current assets include intellectual property and property and equipment that are amortized over time periods that are standard and applicable to the industry; for example, intellectual property is amortized over 10 years to reflect the long life represented by issued patents, as well as the long time frame required to bring biotechnology products to the market.

The Company, as a research and development company, has no significant revenues other than interest income which is booked on an accrual basis which represents income from cash deposits held by the Company in order to develop the products the Company has identified as having commercial potential.

Research costs are expensed as they are incurred and development costs that meet specific criteria related to technical, market and financial feasibility are capitalized. All development costs incurred to date have been expensed.

No ITCs have been recorded by the Company on its financial statements because of the short period of operations and the lack of investment tax credit history to build on and there is no reasonable assurance of realization.

Stock based compensation allows directors, officers, employees and consultants to purchase an eligible number of Common Shares for an exercise price equal to the fair market value of the Company's Common Shares on the date of the grant as determined by the board

of directors. All options granted have been valued using the fair value methodology of the BlackScholes model and expensed in the period in which they were granted.

CAPITALIZATION

The following table sets forth our capitalization as at September 30, 2004 and October 31, 2004 prior to and after giving effect to the Offering. The table must be read with the financial statements and accompanying notes, which appear in this prospectus.

Description of the Security	Securities Authorized	As at September 30, 2004	As at October 31, 2004	As at
				October 31, 2004 after giving effect to the Offering ⁽⁴⁾
			(unaudited)	(unaudited)
Long term debt (including current portion)		\$ 5,603	\$ 5,603	\$ 5,603
Common Shares ⁽¹⁾	Unlimited	\$ 915,904 (13,186,364 shares)	\$ 915,904 (13,186,364 shares)	\$ 9,415,904 (47,186,364 shares)
Common Share options (contributed surplus) ⁽²⁾	800,000	\$ 20,000 (800,000 options)	\$ 20,000 (800,000 options)	\$ 20,000 (800,000 options)
Class B Shares ⁽³⁾	Unlimited	\$ 270,000 (10,800,000 shares)	\$ 270,000 (10,800,000 shares)	\$ 270,000 (10,800,000 shares)
First Preferred Shares	Unlimited	Nil	Nil	Nil

Notes:

- (1) On November 19, 2004, 4,000,000 Common Shares were issued on the conversion of 4,000,000 Class B Shares and an additional 1,000,000 Common Shares were issued at a price of \$0.25 per share pursuant to a private placement. On November 22, 2004, 800,000 Common Shares were issued pursuant to the exercise of stock options. See "Prior Sales".
- (2) These options were all exercised on November 22, 2004. As of November 24, 2004, the Company adopted a new stock option plan and reserved an aggregate of 5,000,000 Common Shares for issue pursuant to the exercise of stock options. On November 24, 2004, 3,925,000 stock options exercisable at the greater of: (i) \$0.25 per share and (ii) the offering price pursuant to this prospectus, were issued to directors and officers. See "Compensation of Directors and Officers".
- (3) On November 19, 2004, 4,000,000 of the Class B Shares were converted into Common Shares.
- (4) Assumes the maximum number of Common Shares sold pursuant to the Offering.

USE OF PROCEEDS

We expect to receive between \$6.5 million and \$7.5 million of net proceeds from the Offering. Our intention is to use approximately \$4.7 million of these proceeds over the next 24 months for research and development focused on new products and the remaining \$1.8 million to \$2.8 million for general and administrative expenses including working capital and possible acquisitions of additional technology. The amounts and timing of such expenditures will vary depending upon a number of factors, such as the progress of our research and development programs, regulatory approvals and unexpected expenses. As at November 30, 2004 we have working capital of \$693,000, therefore assuming receipt of the minimum net proceeds from the Offering, we will have a total of approximately \$7,193,000 of funds available for use.

Our plans with respect to the allocation of the net proceeds of the Offering among the uses described above may change after the date of this prospectus. In particular, the types of acquisitions or investments that we may make will largely depend upon the business opportunities that we identify, if any, which we cannot predict at this time. Pending utilization of the net proceeds of the Offering, we will invest the funds in government-backed securities and short term interest bearing instruments.

Based on our current operations and financial plans, we anticipate that using our cash on hand together with the net proceeds of the Offering, will put us in a position to sustain our operations until early 2007.

DESCRIPTION OF SHARE CAPITAL

Common Shares

Holders of Common Shares are entitled to receive notice of and to attend all meetings of our shareholders, except meetings at which holders of another specified class of shares are exclusively entitled to vote, and are entitled to one vote for each Common Share held

on all votes taken at such meetings. The holders of Common Shares are entitled to receive such dividends as our directors may in their discretion declare, regardless of whether dividends are declared on any other class of shares. Upon our liquidation, dissolution or winding up, the holders of Common Shares are entitled to receive any remaining property after payment of any amount required to redeem or retract any issued and outstanding First Preferred Shares and any other shares ranking senior in priority to the Common Shares.

Class B Shares

Holders of Class B Shares are entitled to receive notice of and to attend all meetings of our shareholders but shall not be entitled to vote any of their Class B Shares at any such meeting. Upon our liquidation, dissolution or winding up, the holders of the Class B Shares shall, subject to the rights of the holders of any other class of shares of the Company entitled to receive assets of the Company upon such a distribution in priority to the Class B Shares, be entitled to participate rateably with the holders of Common Shares in any distribution of the assets of the Company. In addition, each Class B Share may at any time be converted, at the option of the holder upon written notice to the Company, into one Common Share.

First Preferred Shares

The First Preferred Shares may be issued in one or more series, with each series to consist of such number of shares as may, before the issue of the series, be fixed by our directors. Our directors are authorized, before the issue of any series, to determine the designation, rights, privileges, restrictions and conditions attaching to the First Preferred Shares of each series. The First Preferred Shares of each series rank equally with respect to the payment of dividends and the distribution of assets or return of capital in the event of our liquidation, dissolution or winding-up and in priority to the Common Shares and Class B Shares and any other shares ranking junior to the First Preferred Shares.

EXECUTIVE OFFICERS, KEY EMPLOYEES AND DIRECTORS

Executive Officers and Key Employees

The following table provides the names and municipalities of residence of our executive officers and key employees as well as their positions with the Company and principal occupations for the previous five years. All officers and employees are required to sign confidentiality agreements with the Company. See Compensation of Directors and Officers – Employment Agreements.”

Name and Municipality of Residence	Position and Principal Occupation in the Past Five Years
Joseph Tucker Calgary, Alberta (Age: 36)	President and Chief Executive Officer of the Company <i>June 2003–July 2004:</i> Vice President, Resverlogix Corporation, a public biotechnology company. <i>October 2001–January 2003:</i> Vice President, Stem Cell Therapeutics Inc. <i>October 2000–September 2001:</i> Biotechnology Analyst, Lightyear Capital Inc. <i>July 2000–October 2000:</i> Biotechnology Analyst, Acumen Capital Partners, an investment dealer <i>August 1999–June 2000:</i> Commercialization Officer, Calgary Technologies Inc.
Allen Davidoff Calgary, Alberta (Age: 44)	Vice President, Product Development of the Company <i>September 2003–December 2004:</i> Senior Clinical Scientist, Cardiome Pharma Corp. <i>September 2002–March 2003:</i> Biotechnology Analyst, Lightyear Capital Inc., an investment dealer <i>Prior:</i> Student
Brett Schönekeess Calgary, Alberta (Age: 35)	Vice President, Operations and Corporate Secretary of the Company <i>April 2003–January 2004:</i> VP Marketing, Cytostore Inc. <i>June 1999–March 2003:</i> Director, Mind to Market Solutions Inc. <i>Prior:</i> Student

Name and Municipality of Residence	Position and Principal Occupation in the Past Five Years
Mark Wayne Calgary, Alberta (Age: 47)	Chief Financial Officer of the Company <i>June 1994-Present:</i> Chief Financial Officer, QGX Ltd. <i>November 2000 – November 2004:</i> Director and Officer (Chief Executive Officer until December 2003), Lightyear Capital Inc., an investment dealer <i>December 1998-October 2000:</i> President, Unicus Funds Ltd.

Biographies

Dr. Joseph Tucker is our President and Chief Executive Officer. Dr. Tucker has worked within the life sciences industry in Calgary for the past five years. His past experiences include Vice President, Corporate Development at Stem Cell Therapeutics Inc., a privately-held biotechnology company acquired by Transition and then subsequently acquired by the Company on October 4, 2004, as well as Vice President, Strategic Development with Resverlogix, a publicly-traded biotechnology company in Calgary. Dr. Tucker has also been a biotechnology analyst for two investment banking firms, and a commercialization officer in a government backed technology transfer organization. Dr. Tucker received his Ph.D. in Biochemistry and Molecular Biology from the University of Calgary. Dr. Tucker is employed full-time with the Company.

Dr. Allen Davidoff is our Vice President, Product Development. Dr. Davidoff has worked within the life sciences industry as a Senior Clinical Scientist – Congestive Heart Failure at Cardiome Pharma Corp. (TSX: COM; NASDBB: COMRF; NASDAQ: CRME), a Vancouver-based biotechnology firm and as a Biotechnology Analyst at Lightyear Capital Inc. Dr. Davidoff received his Ph.D. from the University of Calgary in Medicine (Cardiovascular Biophysics and Physiology) in 2002. Dr. Davidoff will be employed full-time with the Company effective December 1, 2004.

Dr. Brett Schönekeess is our Vice President, Operations and Corporate Secretary. Dr. Schönekeess has worked within the life sciences industry for the past five years, and is co-founder of a life sciences consultancy, Mind to Market Solutions Inc., a medical device company and was Vice President, Business Development and Marketing with a University of Calgary spin-off company that procures and markets biotechnology related research tools, Cytostore Inc. Dr. Schönekeess' skills are based around company operations, marketing, and strategic development. Dr. Schönekeess received his Ph.D. in Pharmacology from the University of Alberta in 1996, and an MBA from Queen's University in 1999. Dr. Schönekeess is employed full-time with the Company.

Mr. Mark Wayne is our Chief Financial Officer. Mr. Wayne has over 20 years experience in corporate finance and related matters. He was a lawyer practising in Calgary for seven years before entering the investment industry in 1987. Mr. Wayne has held numerous senior officer positions such as Vice President, Western Canada at Altamira Investments Services Inc., President of AltaFund Investment Corp., Chief Financial Officer of QGX Ltd., a junior public mineral exploration company and Chief Executive Officer of Lightyear Capital Inc., an investment brokerage firm. He has helped raise early rounds of capital for several public and private companies over the years, in a variety of sectors including oil and gas, mining and technology. He has and is currently serving as a board member on several public and private companies. Mr. Wayne received his law degree from the University of Toronto in 1980, joined the Law Society of Alberta in 1981 and obtained his Chartered Financial Analyst designation from the Association of Investment Management and Research in 1991. Mr. Wayne will not be employed full-time by the Company, but will devote sufficient time to discharge his duties as Chief Financial Officer and a director.

Directors

The following table provides the names and municipalities of residence of our directors as well as their offices held with the Company, the date they were first appointed to the Company's board of directors and their principal occupation for the previous five years. All directors are required to sign confidentiality agreements with the Company.

Name and Municipality of Residence	Current Positions and Offices Held	Principal Occupation in the Past Five Years	Director Since
Joseph Tucker Calgary, Alberta (Age: 36)	Director, President and Chief Executive Officer	<i>March, 2004 – Present:</i> President and Chief Executive Officer of the Company <i>June 2003–July 2004:</i> Vice President, Resverlogix Corporation, a public biotechnology company <i>October 2000–September 2001:</i> Biotechnology Analyst, Lightyear Capital Inc. <i>July 2000–October 2000:</i> Biotechnology Analyst, Acumen Capital Partners, an investment dealer <i>August 1999–June 2000:</i> Commercialization Officer, Calgary Technologies Inc.	March 31, 2004
Mark Wayne Calgary, Alberta (Age: 47)	Director and Chief Financial Officer	<i>June 1994-Present:</i> Chief Financial Officer, QGX Ltd. <i>November 2000 – November 2004:</i> Director and Officer (Chief Executive Officer until December 2003), Lightyear Capital Inc., an investment dealer <i>December 1998-October 2000:</i> President, Unicus Funds Ltd.	June 14, 2004
Tony Cruz ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario (Age: 51)	Director	<i>January 1999-present:</i> Chairman and Chief Executive Officer of Transition Therapeutics Inc., a publicly traded biotechnology company <i>July 1995-Present:</i> Senior Scientist, Mount Sinai Hospital	November 1, 2004
Don McCaffrey ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta (Age: 46)	Director	<i>March 2002-November 2004:</i> President and Chief Executive Officer of Resverlogix Corporation, a publicly-traded biotechnology company <i>January 2001-April 2002:</i> President, BioCellogix Inc. <i>September 1995-January 2001:</i> President, Northern Exhibitions	November 1, 2004
Jeffrey Shmigelsky ⁽¹⁾⁽²⁾⁽³⁾ Calgary, Alberta (Age: 36)	Director	<i>August 2004-Present:</i> President, Launch Vision Research Inc. <i>August 2000-August 2004:</i> Independent Businessman <i>October 1990-August 2000:</i> President, CAD Vision Internet	October, 19, 2004

Notes:

- (1) Member of Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.

All of our directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the ABCA. Each director will devote the amount of time as is required to fulfill their obligations to the Company.

Biographies

For biographies of Messrs. Tucker and Wayne, see "Executive Officers, Key Employees and Directors - Executive Officers and Key Employees".

Dr. Tony Cruz. Dr. Tony Cruz is one of the founders of Transition and has held his position at Transition since its inception in July 1998. Dr. Cruz was a co-founder, Vice-President and Director at Angiotech Pharmaceuticals Inc. Dr. Cruz has been a Senior Scientist at Mount Sinai Hospital since 1995 and was the Chief Executive Officer and President of the Canadian Arthritis Network until 2001. He has also served as a consultant for various biotechnology companies and investment firms. Dr. Cruz received both his BSc. and his Ph.D. from the University of Toronto in 1977 and 1982 respectively.

Mr. Don McCaffrey. Mr. Don McCaffrey resides in Calgary and has been actively involved in the day to day operations of Resverlogix Corporation as its current President and Chief Executive Officer since February 2002. Since 1999, Mr. McCaffrey has also acted as the President of BioFuture Conference. BioFuture Conference was a national biotechnology event hosting biotechnology researchers, financiers and industry speakers. Mr. McCaffrey has also held the position of President with BioCellogix Inc., Northern Exhibitions and Great West Expo. He attended Northern Alberta Institute of Technology from 1977 to 1979.

Mr. Jeffrey Shmigelsky. Mr. Jeffrey Shmigelsky is the founder and former president of CADVision Internet which was, prior to its sale in 2000, a leading Internet service provider for the Calgary market. Mr. Shmigelsky built his entrepreneurial career on a foundation of strong technical abilities in information technology and is currently the Chief Executive Officer of a new privately held company, Launch Vision Research Inc. He has twice been named in Calgary's Top 40 under 40, and he received the Prairies region Entrepreneur of the Year – Internet award for the year 2000. Mr. Shmigelsky also held the position of Entrepreneur in Residence at the University of Calgary. Mr. Shmigelsky earned his Object Oriented Software Technology diploma in 2003 and his BSc. in computer science in 1992, both from the University of Calgary.

Committees of the Board of Directors

We have an Audit Committee, Compensation Committee and a Corporate Governance Committee. On November 24, 2004, each member of each committee received 25,000 Common Share options exercisable at the greater of \$0.25 per share and the price of the Offering, for serving on each such committee. See "Compensation of Directors and Officers - Stock Option Plan."

Audit Committee

Our audit committee assists our board of directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. The chairman of the audit committee is Jeffrey Shmigelsky. Our audit committee's responsibilities include, among others (i) recommending to the board of directors the engagement of the external auditor and the terms of the external auditor's engagement; (ii) overseeing the work of the external auditor, including dispute resolution between management and the external auditor, if required; (iii) pre-approving all non-audit service to be provided to us by our external auditor; (iv) reviewing our financial statements, management's discussion and analysis and annual and interim earnings press releases before this information is publicly disclosed; (v) assessing the adequacy of procedures for our public disclosure of financial information; (vi) establishing procedures to deal with complaints received by us relating to our accounting and auditing matters; and (vii) reviewing our hiring policies regarding employees of our external auditor or former auditor. We have adopted, along with our audit committee, a written charter of the audit committee setting out the mandate and responsibilities of the audit committee which provides that the audit committee convene no less than four times each year.

Compensation Committee

Our compensation committee reviews and makes recommendations to our board of directors concerning the compensation of our executive officers and key employees which includes the review of our executive compensation and other human resource policies, the review and administration of our bonuses and stock options and major changes to our benefit plans and the review of and recommendations regarding the performance of the Chief Executive Officer of the Company. Our compensation committee is comprised of non-management members of our board of directors and is required to convene at least annually. The chairman of our compensation committee is Tony Cruz.

Corporate Governance Committee

Our corporate governance committee's mandate is to develop and recommend to our board of directors a set of corporate governance principles and to prepare and review the disclosure with respect to, and the operation of, our system of corporate governance, before such disclosure is submitted to our board of directors for their approval. The chairman of our corporate governance committee is Don McCaffrey, and the committee is required to convene at least twice each year.

Share Ownership by Directors and Officers

Our officers and directors beneficially own, as a group, or exercise control or direction over, directly or indirectly, 4,630,000 Common Shares, representing approximately 24.39% of our currently issued and outstanding Common Shares prior to giving effect to the Offering. Assuming no additional Common Shares are purchased by such individuals pursuant to this prospectus, our officers and directors, as a group, will own or exercise control over approximately 8.74% of our outstanding Common Shares after the completion of the Offering (assuming the maximum number of Common Shares are sold pursuant to the Offering).

Corporate Cease Trade Orders or Bankruptcies

Except as disclosed herein, none of our directors, officers or other members of our management have, within ten years prior to the date of this prospectus, been directors, officers or promoters of any other companies that, while such person was acting in that capacity:

- (a) were the subject of a cease trade order or similar order or an order that denied their access to any statutory exemptions for a period of more than 30 consecutive days; or
- (b) were declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or were subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets. See "Executive Officers, Key Employees and Directors - Personal Bankruptcies".

Penalties or Sanctions

None of our directors, officers or principal shareholders have, within ten years prior to the date of this prospectus, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion, formation or management of a publicly traded company, or involving theft or fraud.

Personal Bankruptcies

None of our directors, officers or principal shareholders, or a personal holding company of any such persons, have, within ten years prior to the date of this prospectus, become bankrupt, made a proposal under any bankruptcy or insolvency legislation, been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets, with the exception of Don McCaffrey who filed a 1995 consumer proposal related to divorce proceedings.

Conflicts of Interest

Other than as disclosed herein, none of our directors, officers or principal shareholders and no associates or affiliates of any of them, have or have had any material interest in any transaction which materially affects us. There are potential conflicts of interest to which our directors and officers will be subject in connection with our operations. In particular, certain of our directors are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with our operations or with entities which may, from time to time, provide financing to, or make equity investments in, our competitors. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

COMPENSATION OF DIRECTORS AND OFFICERS

Summary of Executive Compensation

The following table provides a summary of the compensation paid to date during the current fiscal year to the President and Chief Executive Officer and the Chief Financial Officer. No other officers of the Company qualify as “named executive officers”, which category includes the Chief Executive Officer, the Chief Financial Officer and the next three highest paid officers whose salary and bonus exceeds \$150,000 in the most recent year (“Named Executive Officers”).

Name	Current Fiscal Year Ending December 31 ⁽¹⁾	Annual Compensation			Long term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation	Awards	Payouts		
					Securities Under Options Granted (#)	Restricted Common Shares or Restricted Common Shares (#)	LTIP Payouts (\$)	All Other Compensation (\$)
Joseph Tucker ...	2004	27,400 ⁽²⁾	Nil	Nil	1,300,000	N/A	N/A	Nil
Mark Wayne ⁽³⁾ ..	2004	Nil	Nil	Nil	1,100,000	N/A	N/A	Nil

Notes:

- (1) The Company has not yet completed a fiscal year and therefore the information provided is as at the date of this prospectus.
- (2) Dr. Tucker's annual salary is \$96,000. See “Compensation of Directors and Officers - Employment Agreements”.
- (3) Mark Wayne, as Chief Financial Officer of the Company, has not received any cash compensation to date from the Company.

Options Granted During the Current Fiscal Year

The following table sets forth details of all options to purchase Common Shares that have been granted to the Named Executive Officers to date during the current fiscal year ending December 31, 2004.

Name	Securities/Under Options/SARs Granted (#)	% of Total Options Granted to Employees in Financial Year (%)	Exercise Price (\$/Security)	Market Value of Securities Underlying Options on the date of Grant (\$)	Expiration Date
Joseph Tucker	400,000	8.47	0.025	N/A	April 14, 2009 ⁽¹⁾
Joseph Tucker	900,000	19.05	0.25 ⁽²⁾	N/A	November 24, 2009
Mark Wayne	200,000	4.23	0.10	N/A	June 14, 2009 ⁽¹⁾
Mark Wayne	900,000	19.05	0.25 ⁽²⁾	N/A	November 24, 2009

Notes:

- (1) These options were all exercised on November 22, 2004.
- (2) Exercise price has been set at the greater of: (i) \$0.25 and (ii) the price of the Offering, per share.
- (3) See “Options and Warrants to Purchase Securities” below for details of all options outstanding as of the date of this Prospectus.

Options Exercised During the Current Fiscal Year and Option Values as at November 30, 2004

The following table sets forth details of: (i) options exercised to date, and the value thereof, by the Named Executive Officers during the current fiscal year; (ii) the number of unexercised options as at November 30, 2004 (exercisable and unexercisable) held by the Named Executive Officers; and (iii) the value of unexercised “in-the-money” options as at November 30, 2004 (exercisable and unexercisable) held by the Named Executive Officers.

Name	Securities Acquired on Exercise	Aggregate Value Realized (\$)	Unexercised Options as at November 30, 2004 (#) (Exercisable / Unexercisable)	Value of Unexercised In-the-Money Options as at November 30, 2004 (\$ (Exercisable / Unexercisable)
Joseph Tucker	400,000	90,000	100,000/800,000 ⁽¹⁾	N/A
Mark Wayne	200,000	30,000	100,000/800,000 ⁽¹⁾	N/A

Notes:

(1) 100,000 of each of Messrs. Tucker and Wayne’s options vested upon granting the options on November 24, 2004; the remaining options vest as to 1/6 on the six month anniversary of issue and 1/30 each monthly anniversary thereafter.

Employment Agreements

Employment agreements are in place for Drs. Tucker, Davidoff and Schönekeess.

Dr. Joseph Tucker entered into an employment agreement with the Company effective April 1, 2004. Under this agreement he agreed to act as President and Chief Executive Officer of the Company on a full-time basis, for an unspecified duration. Dr. Tucker’s compensation includes salary of \$1,000 per month for April and May of 2004, \$4,700 per month for June and July of 2004 and thereafter an annual salary of \$96,000. In addition, he is entitled to reimbursement for reasonable expenses, may participate in extended benefits plans such as healthcare, is provided with parking and is permitted to take four weeks of vacation annually. The agreement includes a confidentiality obligation during the agreement and for a period of five years thereafter. Either party may terminate this agreement upon 30 days written notice, however, if the Company terminates the agreement the Company is responsible for severance payments in the amount of: (i) six times his monthly salary or (ii) twelve times his monthly salary if the Company has raised at least \$2 million in equity or completed an initial public offering. Dr. Tucker also agreed to a non-competition covenant during the term of the agreement and for a two year period thereafter. In the event that a third party, with a market capitalization of \$200 million or daily trading volumes of greater than \$250,000, acquires more than 50% of the outstanding Common Shares, Dr. Tucker is entitled to a cash payment of six times his current monthly salary.

Dr. Brett Schönekeess entered into an employment agreement with the Company on September 1, 2004, which agreement was amended on November 24, 2004, under which he agreed to act as Vice President, Operations and Corporate Secretary of the Company. His employment is for an unspecified duration on a full-time basis. Dr. Schönekeess receives a similar compensation package as Dr. Tucker including reimbursement of reasonable expenses, extended benefits, parking, four weeks of vacation annually and earns a salary of \$96,000 per year. Dr. Schönekeess is subject to the same confidentiality, non-competition and change of control provisions as Dr. Tucker. If the Company terminates Dr. Schönekeess’ employment, the Company is responsible for a termination payment in the amount of: (i) six times his monthly salary if terminated in year one, (ii) nine times his monthly salary if terminated in year two, and (iii) twelve times his monthly salary if terminated in year three or thereafter or as a result of certain “change of control” transactions.

Dr. Allen Davidoff has entered into an employment agreement with the Company effective December 1, 2004 under which he agreed to act as Vice President, Product Development of the Company. His employment is for an unspecified duration on a full-time basis. Dr. Allen Davidoff receives a similar compensation package as Dr. Tucker and Dr. Schönekeess including reimbursement of reasonable expenses, extended benefits, parking, four weeks of vacation annually and will earn a salary of \$96,000 per year. Dr. Davidoff is also subject to the same confidentiality, non-competition and change of control provisions as Drs. Tucker and Schönekeess. If the Company terminates Dr. Davidoff’s employment, the Company is responsible for a termination payment in the amount of: (i) six times his monthly salary if terminated in year one, (ii) nine times his monthly salary if terminated in year two, and (iii) twelve times his monthly salary if terminated in year three or thereafter or as a result of certain “change of control” transactions.

Summary of Directors' Compensation

Our directors do not have service contracts. All directors are reimbursed for reasonable expenses incurred by them in their capacity as directors, including travel and other out-of-pocket expenses incurred in connection with meetings of the board of directors or any committee of the board of directors. In addition, our directors are eligible to receive stock options under our Stock Option Plan.

Directors' and Officers' Liability Insurance

We do not carry directors' and officers' liability insurance for any of our directors or officers. We plan to investigate the cost and appropriateness of this insurance at a later date.

Key Man Insurance

We do not carry key man insurance on any of our executives to date. We intend to investigate the cost and appropriateness of this insurance at a later date.

Stock Option Plan

On November 24, 2004, we adopted a new stock option plan (the "Plan") to assist us in attracting, retaining and motivating directors, officers, employees and consultants and to closely align their personal interests with those of our shareholders by providing them with the opportunity, through options, to acquire our Common Shares. The following disclosure reflects the provisions of the Plan.

Our Plan is administered by our board of directors, which has final authority and discretion, subject to the express provisions of our Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of our Plan. This includes the discretion of the board of directors to decide who will participate in the Plan, which may include directors, officers, employees or consultants (the "Participants"). The board of directors also has authority to delegate its duties to the compensation committee.

Options granted under the Plan are non-transferable, expire not later than five years from the date of issuance and are exercisable as determined by the board of directors, provided that, other than options granted to directors, options must vest no earlier than six months after the date of issuance. Options granted under the Plan are evidenced by an option agreement entered between the Participant and the Company. Vested options granted under the Plan terminate immediately if a Participant is dismissed with cause. If a Participant ceases to hold any position as a Participant, by reason of retirement, resignation, disability or other termination, the vested options terminate within 90 days from cessation, if a Participant dies, vested options terminate within 180 days from death.

The maximum number of Common Shares that may be reserved for issuance pursuant to options granted under the Plan is 5,000,000, which we expect to be approximately 10% of our issued share capital on the Closing Date. The maximum number of Common Shares that may be reserved for issuance to any one eligible person pursuant to options granted under the Plan is five percent of the number of Common Shares outstanding at the time of reservation. In the event of a change of control resulting in another entity holding more than 50% of the aggregate votes attaching to the outstanding voting securities, all options become exercisable immediately.

Prior to the date of this prospectus and pursuant to the Plan, the board of directors granted options to purchase 3,925,000 Common Shares to certain directors, officers and employees. Some of these options have vesting dates following the Closing Date and all options will expire on November 24, 2009. For information regarding outstanding options as of the date hereof, see "Compensation of Directors and Officers - Options Granted During the Current Fiscal Year Ending December 31, 2004".

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of our executive officers or directors, or any of their associates or affiliates, are or have been indebted to us since inception, nor have any of the foregoing been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by us or any of our subsidiaries since inception.

PRINCIPAL SHAREHOLDERS

To our knowledge, as at the date hereof, none of our shareholders own, of record or beneficially, either directly or indirectly, more than 10% of our issued and outstanding voting shares. However, Isis Capital Corporation ("Isis") owns directly 6,000,000 Class B Shares. If Isis were to convert all of its Class B Shares prior to the completion of the Offering, it would control approximately 24% of the issued and outstanding Common Shares of the Company. Isis is controlled by Mr. Dean Curtis.

PLAN OF DISTRIBUTION

This prospectus qualifies the distribution of 30,000,000 Common Shares totalling \$7,500,000 in the case of the Minimum Offering and 34,000,000 Common Shares totalling \$8,500,000 in the case of the Maximum Offering. In this regard, the Company and the Agents entered into an agency agreement dated December 21, 2004 (the "Agency Agreement") wherein the Agents agreed to use their best efforts to obtain subscriptions for the Common Shares at a price of \$0.25 per Common Share, subject to the conditions described in the Agency Agreement. The Agency Agreement provides that we will pay the Agents a fee of 9.0% of the gross proceeds of the sale of the Common Shares, as consideration for the Agents' services in connection with the Offering. The Agents have no obligation to purchase any of the Common Shares.

The TSX-V has conditionally approved the listing of the Common Shares under the symbol "SSS", subject to the Company fulfilling the requirements of such exchange.

The distribution will not continue for more than 90 days following the date upon which the receipt for the final prospectus is obtained unless the Minimum Offering is received or consent of all subscribers is obtained. During this 90 day period all funds received from subscriptions will be held by a depository who is a registrant, bank or trust company and if the Minimum Offering is not raised, will be returned to the subscribers.

There is currently no market for the Common Shares. Accordingly, the price of the Common Shares and terms of the Offering was determined through our negotiations with the Agents. The Agents will form a selling group with other registered investment dealers to market a portion of the Offering. Any fees payable to members of such selling group will be paid by the Agents out of their fee.

We, and certain of our existing shareholders have agreed, subject to certain limited exceptions, not to directly or indirectly offer, sell, contract to sell or otherwise dispose of any Common Shares or securities convertible into or exercisable or exchangeable for Common Shares or any right to acquire Common Shares for a period of 180 days after the Closing Date without the prior written consent of the Agents, which consent shall not be unreasonably withheld. Subject to certain limited exceptions, we and these shareholders have agreed not to directly or indirectly: (i) offer, pledge, sell or contract to sell any Common Shares, (ii) sell any option or contract to purchase Common Shares, (iii) purchase any option or contract to sell Common Shares, (iv) grant any option, right or warrant for the sale of any Common Shares, (iv) lend or otherwise dispose of or transfer any Common Shares, or (v) enter into any swap or other arrangement that transfers, in whole or in part, the economic consequence of ownership of the Common Shares whether any such swap or transaction is to be settled by delivery of Common Shares or other securities in cash or otherwise. This lock-up applies to Common Shares and to securities convertible into or exchangeable for or repayable with Common Shares. It also applies to Common Shares owned now or acquired in the Offering by the persons executing the agreement or for which the person executing the agreement acquired the power of disposition.

Pursuant to policy statements of the Ontario Securities Commission, the Agents may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Common Shares. We have been advised that in connection with the Offering and pursuant to the first-mentioned exception, the Agents may over-allot or effect transactions which stabilize or maintain the price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced may be discontinued at any time.

The Common Shares pursuant to the Offering have not been and will not be registered under the 1933 Act, and, subject to certain exceptions, may not be offered or sold in the United States or to or for the account of a U.S. person (as such is defined in Regulation S promulgated under the 1933 Act). The Agency Agreement permits the Agents to re-offer and re-sell Common Shares purchased by them pursuant to certain qualified financial institutions in the United States, provided that such re-offers and re-sales are made only in accordance with Rule 144A promulgated under the 1933 Act (which Rule provides a registration exemption under such laws in connection with re-offers and re-sales) and in compliance with applicable state securities laws. The Agency Agreement further provides that the Agents will not take any actions that would make the safe harbour provided under Regulation S under the 1933 Act unavailable in connection with the Offering and sale of the Common Shares; Regulation S provides a registration exemption such laws in connection with the initial offer and sales of such shares. The Common Shares will also be restricted within the meaning of Rule 144(a)(3) of the 1933 Act. In addition, until forty days after the commencement of the Offering, an offer or sale of the Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise and in compliance with Rule 144A.

We have agreed to indemnify the Agents and their respective affiliates, directors, officers, employees, partners, agents and shareholders (the "Indemnified Parties") against certain claims with which the Indemnified Parties may become involved in any

capacity in so far as the claims relate to performance of the professional services of the Agents pursuant to the Agency Agreement. We have agreed that except for transfers to subsidiaries, our officers, directors, institutional investors, venture capitalists or corporate partners will not sell any Common Shares or securities convertible or exchangeable into Common Shares for a period of 180 days following the closing of the Offering.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the certificates representing the Common Shares will be available for delivery at the Closing Date.

PRIOR SALES

From incorporation to the date hereof, we issued 18,986,364 Common Shares and 10,800,000 Class B Shares. This table sets out the securities we issued prior to the date of this prospectus as well as issuances contemplated on or before the Closing Date.

Date	Type of Shares	Number of Securities	Price per Share (\$)	Total Consideration before Financing Costs (\$)
March 31, 2004	Common Shares	1,000,000	0.00001	10
April 1, 2004	Common Shares	3,636,364	0.00495	18,000 ⁽¹⁾
April 14, 2004	Common Shares	2,000,000	0.025	50,000
April 20, 2004	Class B Shares	10,800,000	0.025	270,000
June 7, 2004	Common Shares	2,550,000	0.10	255,000
July 27, 2004	Common Shares	4,000,000	0.15	600,000
November 19, 2004	Common Shares	1,000,000	0.25	250,000
November 19, 2004	Common Shares	4,000,000	N/A ⁽²⁾	N/A ⁽²⁾
November 22, 2004	Common Shares	600,000	0.025 ⁽³⁾	15,000
November 22, 2004	Common Shares	200,000	0.10 ⁽³⁾	20,000
TOTAL OUTSTANDING:	Common Shares	18,986,364		
	Class B Shares	6,800,000 ⁽⁴⁾		

Notes:

- (1) Deemed value of \$18,000 based on the deemed value of the intellectual property acquired pursuant to the Acquisition of Technology Agreement dated April 1, 2004.
- (2) Issued upon conversion of 4,000,000 Class B Shares.
- (3) Issued pursuant to the exercise of stock options.
- (4) Excludes 4,000,000 Class B Shares converted to Common Shares on November 19, 2004.

ESCROWED SECURITIES

Pursuant to National Policy 46-201 “Escrow for Initial Public Offerings” and the policies of the TSX-V, certain of our shareholders will enter into an escrow agreement (the “Escrow Agreement”) with us and with Computershare Trust Company of Canada (the “Escrow Agent”). These shareholders will deposit their securities in escrow with the Escrow Agent and while the securities are under escrow, they may not be transferred or otherwise dealt with, except in very limited circumstances. Under the terms of the Escrow Agreement, the Escrow Agent will release 10% of each shareholder’s securities upon listing of the Common Shares on the TSX-V, and thereafter the securities will be released in six tranches of 15% every six months until 36 months following closing of the Offering when the remaining securities will be released. Any “additional escrow securities”, as defined in the Escrow Agreement, acquired by a shareholder while such shareholder has securities under escrow will be added to the securities already held in escrow. The following sets out the securities that will be subject to escrow.

Name	Number and type of securities held in escrow		Percentage of Common Shares (diluted) prior to giving effect to the Offering
Christopher Gregg ⁽¹⁾	1,818,182	Common Shares	6.12%
Samuel Weiss ⁽¹⁾	1,818,182	Common Shares	6.12%
Joseph Tucker ⁽¹⁾	1,520,000	Common Shares	5.12%
Allen Davidoff	260,000	Common Shares	0.88%
Brett Schönekeess ⁽²⁾	300,000	Common Shares	1.01%
Mark Wayne ⁽³⁾	1,200,000	Common Shares	4.04%
Jeff Shmigelsky	1,600,000	Common Shares	5.39%
Isis Capital Corporation ⁽⁴⁾	6,000,000	Class B Shares	20.19%
Others	720,000	Common Shares and	
	800,000	Class B Shares	5.12%

Notes:

- (1) In addition to National Policy 46-201 regarding escrow as described above, all of Dr. Weiss' and Mr. Gregg's shares as well as one million of Dr. Tucker's shares are subject to a voluntary escrow pursuant to which such shares will be released upon the earlier of: (i) the third anniversary of listing of the Common Shares on the TSX-V and (ii) the first anniversary of a merger of the Company with another corporation pursuant which all shareholders of the Company receive equity securities of the acquiring corporation, provided that the acquiring corporation has a market capitalization of greater than \$200 million or has an average daily trading volume of greater than \$250,000 (based on the 30 days preceding the date of merger or acquisition and excluding any unusual block trades).
- (2) Includes 200,000 shares held by a company controlled by Dr. Schönekeess.
- (3) Includes 950,000 shares held by Mark Wayne and 250,000 shares held by his spouse.
- (4) Isis Capital Corporation is controlled by Mr. Dean Curtis.

OPTIONS AND WARRANTS TO PURCHASE SECURITIES

Pursuant to our Stock Option Plan, 3,925,000 outstanding Common Share options are held by directors, officers, employees and consultants (present and former). Each option granted under the Stock Option Plan was issued at an exercise price equal to the greater of: (i) \$0.25 and (ii) the price of the Offering, per share. Options granted to management (other than 100,000 of the options granted to each of Dr. Tucker and Mr. Wayne in respect of their serving as directors of the Company which vested immediately) will vest as to 1/6 on the six month anniversary of the date of issue and 1/30 each monthly anniversary thereafter until all options are vested. Options granted to directors in respect of serving as such vested immediately upon issue. The table below summarizes the 3,925,000 Common Share options granted. See also "Compensation of Executive Directors and Officers— Stock Option Plan".

Name of Optionee	Number of Common Share Options Held	Exercise Price (\$)	Expiry Date	Market Value on Date of Grant (\$)
Joseph Tucker ⁽¹⁾	900,000	0.25	November 24, 2009	N/A
Mark Wayne ⁽¹⁾	900,000	0.25	November 24, 2009	N/A
Brett Schönekeess ⁽²⁾	800,000	0.25	November 24, 2009	N/A
Allen Davidoff ⁽²⁾	800,000	0.25	November 24, 2009	N/A
Tony Cruz ⁽³⁾	175,000	0.25	November 24, 2009	N/A
Don McCaffrey ⁽³⁾	175,000	0.25	November 24, 2009	N/A
Jeff Shmigelsky ⁽³⁾	175,000	0.25	November 24, 2009	N/A
Total:	<u>3,925,000</u>			

Notes:

- (1) 100,000 of these options are fully vested. The remainder will vest as to 1/6 on the six month anniversary of the date of issue and as to 1/30 on each monthly anniversary thereafter.
- (2) These options shall vest as to 1/6 on the six month anniversary of the date of issue and as to 1/30 on each monthly anniversary thereafter.
- (3) These options are fully vested.

RISK FACTORS

An investment in the Common Shares is speculative and involves a high degree of risk that should be considered by potential investors. Investment in the Common Shares should only be undertaken by those persons who can afford the total loss of their investment. An investor should carefully consider the following risk factors in addition to the other information contained in this prospectus before purchasing Common Shares. The risks and uncertainties below are not the only ones we are facing. There are additional risks and uncertainties that we do not presently know or that we currently consider immaterial which may also impair our business operations and cause the price of our Common Shares to decline. If any of the following risks actually occur, our

business may be harmed and our financial condition and results of operations may suffer significantly. In that event, the trading price of our Common Shares could decline, and an investor may lose all or part of his or her investment.

Risks Related to Us and Our Business

Early Stage of Development

We are at an early stage of development, having been founded in 2004, and have a limited operating history. Prior to commercialization, significant additional investments will be necessary to complete the development of any of our products. Pre-clinical and clinical trial work must be completed before our products could be ready for use within the market that we have identified. We may fail to develop any products, to obtain regulatory approvals, to enter clinical trials, or to commercialize any products.

Competitors may develop alternative products and methodologies to treat stroke and this could reduce our competitive advantages. Some of our products under development address markets which are in the early stages of development and which may not develop as we expect due to market forces. We do not know whether any of our potential product development efforts will prove to be effective, meet applicable regulatory standards, obtain the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or successfully marketed. Any product using stem cell technology may fail to survive and persist in the desired location, provide the intended therapeutic benefits, properly integrate into existing tissue in the desired manner, or achieve therapeutic benefits equal to or better than the standard of treatment at the time of testing. The products or processes we are currently developing are not expected to be commercially viable for several years and we may encounter unforeseen difficulties or delays in commercializing our products. In addition, our products may cause undesirable side effects. Results of early pre-clinical research may not be indicative of the results that will be obtained in later stages of pre-clinical or clinical research. If regulatory authorities do not approve our products or if we fail to maintain regulatory compliance, we would have limited ability to commercialize our products, and our business and results of operations would be harmed. Furthermore, because stem cells are a new form of therapy, the marketplace may not accept any products we may develop. If we do succeed in developing products, we will face many potential obstacles such as the need to develop or obtain manufacturing, marketing and distribution capabilities.

Lack of Product Revenues; History of Operating Losses

As at the present date, we have not recorded any revenues from the sale of products. We have an accumulated deficit, since our inception through September 30, 2004 of \$268,365. Losses are expected to increase in the near term as we continue our product development efforts, enter clinical trials and seek regulatory approval for the sale of our product for the treatment of stroke. Operating losses are expected to be incurred until such time as product sales and royalty payments are sufficient to generate revenues to fund our continuing operations. Quarter to quarter fluctuations in revenues, expenses and losses are also expected. We are unable to predict the extent of any future losses or when we will become profitable, if ever. Even if we do achieve profitability, we may not be able to sustain or increase profitability on an ongoing basis.

Regulation of Drug and Product Approval

Potential investors should be aware of the risks, problems, delays, expenses and difficulties which we may encounter in light of the extensive regulatory environment within which our business is carried out.

Numerous statutes and regulations govern the manufacture and sale of non-therapeutic and human therapeutic products in Canada, the United States and other countries that are the intended markets for our products and product candidates. Such legislation and regulation governs the approval of manufacturing facilities, the testing procedures and controlled research that must be carried out and the pre-clinical and clinical data that must be collected prior to marketing approval. Our research and development efforts, as well as any future clinical trials, and the manufacturing and marketing of any products we may develop, will be subject to and restricted by this extensive regulation by governmental authorities in Canada, the United States and other countries. This regulatory and legislative oversight also requires an adherence to current good clinical practice standards during research and development and good manufacturing practice standards during production and storage and defines permissible marketing activities, including advertising and labelling.

The process of obtaining necessary regulatory approvals is lengthy, expensive and uncertain. We or our collaborators may fail to obtain the necessary approvals to commence or continue clinical testing or to manufacture or market our potential products in reasonable time frames, if at all. In addition, governmental authorities in Canada, the United States, or other countries may enact regulatory reforms or restrictions on the development of new therapies that could adversely affect the regulatory environment in which we operate or the development of any products we may develop.

Many of the products and processes that we are currently developing require significant development, testing and the investment of significant funds prior to their commercialization. There can be no assurance that any of such products or processes will actually be developed to a commercial level. To date, no products which stimulate the growth and proliferation of adult neural stem cells have been approved for neurological use by regulatory authorities anywhere in the world.

Completing clinical testing and obtaining required approvals is expected to take several years and to require the expenditure of substantial resources. There can be no assurance that clinical trials will be completed successfully within any specified period of time, if at all. Furthermore, clinical trials may be delayed or suspended at any time by us or by the FDA/TPD if it is determined at any time that the subjects or patients are being exposed to unacceptable risks. Any failure or delay in obtaining regulatory approvals would adversely affect our ability to utilize our technology and would therefore adversely affect our operations. Furthermore, no assurance can be given that our product candidates will prove to be safe and effective in clinical trials or that they will receive the requisite regulatory approval. Moreover, any regulatory approval of a drug which is eventually obtained may be granted with specific limitations on the indicated uses for which that drug may be marketed. Furthermore, product approvals may be withdrawn if problems occur following initial marketing or if compliance with regulatory standards is not maintained. Similar restrictions are imposed in markets other than the United States and Canada.

In addition, we rely to some extent on the availability of some agents that are currently marketed by other firms. If these agents become unavailable we may be unable to develop these agents for our own use. There are numerous reasons why these products may become unavailable, such as being withdrawn by the manufacturer or as a result of failing to meet regulatory requirements, all of which are beyond our control.

Uncertainties Related to Clinical Trials and Product Development

Before obtaining regulatory clearance for the commercial sale of any of our products under development, we must demonstrate through pre-clinical studies and clinical trials that the potential product is safe and efficacious for use in humans for each target indication. The results from pre-clinical studies and early clinical trials may not be predictive of results that will be obtained in large-scale testing, and there can be no assurance that our clinical trials will demonstrate sufficient safety and efficacy necessary to obtain the requisite regulatory approvals or will result in marketable products. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. The failure to adequately demonstrate the safety and efficacy of a product under development could delay or prevent regulatory clearance of the potential product and would have a material adverse effect on our success.

Any drug is likely to produce some toxicity or undesirable side effects in animals and in humans when administered at sufficiently high doses and/or for sufficiently long periods of time. There can be no assurance that unacceptable toxicity or side effects will not occur at any dose level at any time in the course of toxicological studies or of human clinical trials of our potential products. The appearance of any such unacceptable toxicity or side effects in toxicology studies or in clinical trials could cause us or regulatory authorities to interrupt, limit, delay or abort the development of any of our product candidates and could ultimately prevent their clearance by the TPD, the FDA or other regulatory authorities, for any or all targeted indications. Even after being cleared by the TPD, FDA or other regulatory authorities, a product may later be shown to be unsafe or not to have its purported effect, thereby preventing its widespread use or requiring withdrawal from the market. There can be no assurance that any products we have developed or will develop will be safe when administered to patients.

The rate of completion of our clinical trials will be dependent upon, among other factors, the rate of patient enrolment. Patient enrolment is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of parties to clinical sites and the eligibility criteria for the study. Delays in planned patient enrolment may result in increased costs, delays or termination of clinical trials, which could have a material adverse effect on our success. In addition, our staff has limited clinical experience and, as a result, will rely on third parties to assist us in overseeing and monitoring the clinical trials, which may result in delays in completing clinical trials, or their not being completed at all, if such third parties fail to perform under their agreements with us or fail to meet regulatory standards in the performance of their obligations under such agreements. There can be no assurance that we will be able to submit a new drug application as scheduled if clinical trials are completed or that any such applications will be reviewed and cleared by the TPD or FDA in a timely manner or at all.

Rapid Technological Change

The industry in which we operate is characterized by rapid and substantial technological change. There can be no assurance that developments by others will not render our products or technologies non-competitive or that we will be able to keep pace with technological developments. Our competitors may have developed or may be developing technologies which could become the basis

for competitive products. Some of these products may prove to be more effective and less costly than the products developed, or that will be developed by us.

Uncertainties Related to Forecasts

Our expectations regarding the success of our product candidates and our business are based on forecasts which may not be realized. In this prospectus we have forecasted the accomplishment of objectives material to our success, such as the commencement and completion of clinical trials and anticipated regulatory approval. The actual timing of these events can vary dramatically due to factors such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process and delays in achieving manufacturing capacity and marketing infrastructure sufficient to commercialize our biopharmaceutical products. We cannot assure you that clinical trials involving our clinical stage products will be successfully completed, that we will make regulatory submissions or receive regulatory approvals as forecasted or that we will be able to adhere to our current schedule. The failure to do so could have a material adverse effect on us.

Dependence on Key Personnel

We depend on certain members of our management and scientific staff and the loss of services of one or more of said persons could adversely affect our operations. It is necessary for us to continue to implement and improve our management systems and to continue to recruit and train new employees in order to manage our growth effectively. While we have been able to attract and retain skilled and experienced personnel in the past, no assurance can be given that we will be able to do so in the future.

Competition

Technological competition is intense in the industry in which we operate, and in particular in the market for therapeutic products to reduce and repair the damage caused by stroke. Competition comes from pharmaceutical companies, biotechnology companies and universities as well as companies that participate in each of the non-pharmaceuticals markets we are attempting to address with our products. Many of our competitors have substantially greater financial and technical resources, more extensive research and development capabilities and greater marketing, distribution, production and human resources than we do. Moreover, competitors may develop products more quickly than us and may obtain regulatory approval for such products more rapidly than we do. Products and processes which are more effective than those that we intend to develop may be developed by our competitors. Research and development by others may render our technology products or processes non competitive or obsolete. See “The Company–Competition”.

Patents and Proprietary Rights

Our success depends, in part, on our ability to secure and protect our intellectual property rights and to operate without infringing on the proprietary rights of others or having third parties circumvent the rights owned or licensed by us. Applications for patents in Canada, the United States and in foreign markets have been filed and we are actively pursuing them. The patent positions of pharmaceutical and biotechnology firms, ourselves included, are uncertain and involve complex questions of law and fact for which important legal issues remain unresolved. Therefore, it is not clear whether our pending patent applications will result in the issuance of patents or whether we will develop additional proprietary products which are patentable. Part of our strategy resides on our ability to secure a patent position around the use of existing compounds and combinations of existing compounds to initiate the growth and proliferation of adult stem cells using our technology platform. There is no assurance that we will be successful in this approach and failure to secure patent protection may have a material adverse effect upon us and our financial condition. Also, we may fail in our attempt to commercialize products using currently patented technology without having to license additional patents. Moreover, it is not clear whether the patents issued or to be issued to us will provide us with any competitive advantages or if any such patents will be the target of challenges by third parties, whether the patents of others will interfere with our ability to market our products or whether third parties will circumvent our patents by means of alternate processes. Furthermore, it is possible for others to develop products which have the same effect as our products or technologies on an independent basis or to design around technologies patented by us.

Patent applications relating to or affecting our business have been filed by a number of pharmaceutical and biotechnology companies and academic institutions. A number of these technologies, applications or issued patents may conflict with our technologies or patent applications and such conflict could reduce the scope of patent protection which we could otherwise obtain or even lead to the rejection of our patent applications.

There is no assurance that we can enter into licensing arrangements on reasonable commercial terms, or develop or obtain alternative technology in respect of patents issued to third parties that incidentally cover our products or production technologies. Any inability to secure licenses or alternative technology could result in delays in the introduction of some of our products or even lead to us being

prevented from pursuing the development, manufacture or sale of certain products. Moreover, we could potentially incur substantial legal costs in defending legal actions which allege patent infringement, or by initiating patent infringement suits against others.

A number of pharmaceutical, biotechnology and other companies, universities and research institutions have filed patent applications or have received patents relating to cell therapy, stem cells and other technologies potentially relevant to or necessary for our expected products. We cannot predict which, if any, of the applications will issue as patents. If third party patents or patent applications contain valid claims that our technology infringes upon their technology, we may be unable to obtain licenses to these patents at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If we are unable to obtain such licenses at a reasonable cost, our business could be significantly harmed.

It is not possible for us to be certain that we are the creator of inventions covered by pending patent applications or that we were the first to invent or file patent applications for any such inventions. No assurance can be given that our patents, once issued, would be upheld by a court, or that a competitor's technology or product would be found to infringe on our patents.

Moreover, much of our technology know-how that is not patentable may constitute trade secrets. Therefore, we require our employees, consultants, advisors and collaborators to enter into confidentiality agreements either as stand alone agreements or as part of their consulting contracts. However, no assurance can be given that such agreements will provide meaningful protection of our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of confidential information.

Costs Stemming from Defence Against Third-Party Intellectual Property Infringement Claims

Third parties may assess that we are using their proprietary information without authorization. Third parties may also have or obtain patents and may claim that technologies licensed to or used by us infringe their patents. If we are required to defend patent infringement actions brought by third parties, or if we sue to protect our own patent rights or otherwise to protect our proprietary information and to prevent its disclosure, we may be required to pay substantial litigation costs and managerial attention may be diverted from business operations even if the outcome is in our favour. In addition, any legal action that seeks damages or an injunction to stop us from carrying on our commercial activities relating to the affected technologies could subject us to monetary liability and require us or any third party licensors to obtain a license to continue to use the affected technologies. We cannot predict whether we would prevail in any of these types of actions or that any required licence would be available on commercially acceptable terms or at all. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources.

Potential Product Liability

A risk of product liability claims and related negative publicity is inherent in the development of human therapeutic and other products. Product liability insurance is expensive, its availability is limited, and it may not be offered on terms acceptable to us, if at all. The commercialization of our potential products could be inhibited or prevented by an inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims. A product liability claim against us or the withdrawal of a product from the market could have a material adverse effect upon us and our financial condition.

Additional Financing Requirements and Access to Capital

We require significant additional funds for further research and development, planned clinical trials, and the regulatory approval process. An attempt may be made to raise additional funds for the aforementioned purposes through public or private equity or debt financing, and collaborations with other biotechnology companies, or financing from other sources may be undertaken. There can be no assurance that additional funding will be available on terms which are acceptable to us and which would lead to the successful commercialization of our products. If adequate funding is not available, we may be required to delay, reduce, or eliminate one or more of our product development programs or obtain funds through corporate partners or others who may require us to relinquish significant rights to product candidates or obtain funds on less favourable terms than we would otherwise accept.

Unproven Market

Much of our strategy is based on the belief that the application of already marketed therapeutic products for new clinical indications will proceed as expected. Notwithstanding the estimated market potential for our products and product candidates, no assurance can be given that our projections and assumptions will prove to be correct owing to, in particular, competition from existing or new products and the yet to be established clinical viability of our identified therapeutics.

We have determined that we were eligible for ITCs on expenditures incurred on scientific research and experimental development ("SRED"). There is a risk that the Canada Customs and Revenue Agency could conclude that some or all of the expenditures were not incurred on SRED activities and, therefore, could reduce or disallow claims for ITCs, including refundable ITCs.

Management of Growth

Recent rapid growth in all areas of our business has placed, and is expected to continue to place, a significant strain on our managerial, operational and technical resources. We expect operating expenses and staffing levels to increase in the future. To manage our growth, we must expand our operational and technical capabilities and our employee base while effectively administering multiple relationships with various third parties. There can be no assurance that we will be able to manage our expanding operations effectively. Any failure to implement cohesive management and operating systems, add resources on a cost effective basis or properly manage our expansion could have a material adverse effect on our business and results of operations.

Partnerships for development and commercialization of technology

We may need, but fail, to obtain partners to support our development efforts and to commercialize our technology. Equity and debt financings alone may not be sufficient to fund the cost of developing our stem cell technologies, and we may need to rely on our ability to reach partnering arrangements to provide financial support for our stem cell discovery and development efforts. In addition, in order to successfully develop and commercialize our technology, we may need to enter into a wide variety of arrangements with corporate sponsors, pharmaceutical companies, universities, research groups and others. While we have entered into research contracts with Dr. Weiss and an Alberta based university and other contract research organizations, we may need to enter into additional arrangements. We may fail to obtain any such agreement on terms acceptable to us. Even if we enter into these arrangements, we may not be able to satisfy our obligations under them or renew or replace them after their original terms expire. We may, for example, be unable to maintain or renew our research contracts with Dr. Weiss and the Alberta based university. Furthermore, arrangements of this nature may require us to grant certain rights to third parties, including exclusive marketing rights to one or more products, may require us to issue securities to our collaborators or may contain other terms that are burdensome to us. If any of our collaborators terminates its relationship with us or fails to perform its obligations in a timely manner, the development or commercialization of our technology and potential products may be adversely affected.

Effect of insurers' willingness to pay for products on our ability to become profitable

Since health care insurers and other organizations may not pay for any products that we may develop or may impose limits on reimbursements, our ability to become profitable could be reduced. In both domestic and foreign markets, sales of potential products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payor organizations, including government agencies, private health care insurers and other health care payors, such as health maintenance organizations and self-insured employee plans. There is considerable pressure to reduce the cost of therapeutic products, and government and other third party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which the United States Food and Drug Administration has not granted marketing approval. Significant uncertainty exists as to the reimbursement status of newly approved health care products or novel therapies such as ours. We can give no assurance that reimbursement will be provided by such payors at all or without substantial delay or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable us to sell products we develop on a profitable basis. Changes in reimbursement policies could also adversely affect the willingness of pharmaceutical companies to collaborate with us on the development of our stem cell technology. In certain markets, pricing or profitability of prescription pharmaceuticals is subject to government control.

Systems Failures

Despite the implementation of security measures, our internal computer systems are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that causes interruptions in our operations could result in a material disruption of our drug discovery programs. To the extent that any disruption or security breach results in a loss or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we may incur liability as a result, our drug discovery programs may be adversely affected and the further development of our product candidates may be delayed. In addition, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Risks related to the Offering

Absence of a Liquid, Public Market

Prior to the Offering, there has been no public market for our Common Shares and there can be no assurance that a liquid, public market will develop for our Common Shares. The price at which our Common Shares are being offered hereunder is determined through negotiations between us and the Agents. Among the factors to be considered in determining the price are our future prospects and the prospects of the industry in general, sales, our financial and operating information in recent periods, and the market prices of securities and certain financial and other operating information of companies engaged in activities similar to ours. The offering price may not be indicative of the market price for our Common Shares after the Offering, which price may decline below the offering price. See “Plan of Distribution”.

Share Price Volatility

A number of factors could influence the volatility in the trading price of the Common Shares, including changes in the economy or in the financial markets, industry related developments, and the impact of changes in the Company’s daily operations. The Company’s quarterly revenues and profits may vary because of expenses it incurs related to future research, changes in the combination of its therapeutic drugs or fluctuations in the demand for its product. Each of these factors could lead to increased volatility in the market price of the Common Shares. In addition, variations in earnings estimates by securities analysts and the market prices of the securities of the Company’s competitors may also lead to fluctuations in the trading price of the Common Shares.

Discretion in the Use of Proceeds

Our management will have broad discretion concerning the use of the proceeds of this Offering as well as the timing of their expenditure. As a result, you will be relying on the judgment of management for the application of the proceeds of this Offering. Our management may use the net proceeds of this Offering in ways that you may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the results of our operations may suffer.

Dividends

We have not declared or paid any cash dividends on the Common Shares to date. The payment of dividends in the future will be dependent on our earnings and financial condition and on such other factors as our board of directors considers appropriate. Unless and until we pay dividends, shareholders may not receive a return on their shares.

Dilution

The initial public offering price of our Common Shares significantly exceeds the net tangible book value per share of our Common Shares. Accordingly, if you purchase Common Shares you will experience immediate and substantial dilution of your investment. If outstanding options are exercised into Common Shares, you will experience additional dilution.

DIVIDEND POLICY

We have not declared or paid any dividends on the Common Shares to date. The payment of dividends in the future will be dependent on our earnings, financial condition and such other factors as our board of directors considers appropriate. There is no present intention by the board of directors to pay dividends on the Common Shares.

LEGAL PROCEEDINGS

We are not a party to, nor are any of our assets subject to, any material legal proceedings nor to our knowledge are any such proceedings contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, senior officers, any shareholders who beneficially own, directly or indirectly, more than 10% of our outstanding Common Shares, or any known associates or affiliates of such persons, in any transaction within the last three years or in any proposed transaction which has materially affected or would materially affect us.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts we have entered into prior to the date of this prospectus which can reasonably be regarded as presently material are the following:

- (1) Research contract with an Alberta based university and Samuel Weiss dated effective as of February 14, 2004;
- (2) Acquisition of Technology Agreement dated April 1, 2004;
- (3) Share Purchase Agreement dated October 4, 2004 between the Company and Transition; and
- (4) Agency Agreement dated December 21, 2004 among the Company and the Agents.

Copies of the foregoing, or drafts thereof, will be available for inspection at our head office in Calgary, Alberta while the securities qualified by this prospectus are in distribution and for a period of 30 days thereafter at any time during normal business hours. In Ontario, copies of the foregoing may be viewed at the offices of McCarthy Tétrault LLP in Toronto at Suite 4700, Toronto Dominion Bank Tower, Toronto, Ontario, M5K 1E6.

EXPERTS

Certain legal matters in connection with the Offering are being reviewed, on our behalf, by McCarthy Tétrault LLP, and on behalf of the Agents, by Fraser Milner Casgrain LLP. As at the date hereof, the partners and associates of McCarthy Tétrault LLP, as a group and Fraser Milner Casgrain LLP, as a group, beneficially own, respectively, directly or indirectly, 3.1% of the outstanding shares prior to the Offering.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditors are Ernst & Young LLP, Chartered Accountants, at its principal office located at 1000 Ernst & Young Tower, 440 - 2 Avenue S.W., Calgary, Alberta.

The registrar and transfer agent for our Common Shares is Computershare Trust Company of Canada at its principal office in Calgary, Alberta.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the applicable province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

GLOSSARY

As used in this prospectus, the following technical terms and acronyms have the respective meanings specified below:

aneurysm	A weak bulging spot on the wall of an artery or vein; an aneurysm can rupture to result in bleeding in the brain
anticoagulant	A drug that helps prevent the clotting (coagulation) of blood
anti-platelet agent	Type of anticoagulant drug therapy that prevents the formation of blood clots by preventing the accumulation of platelets that form the basis of blood clots
antithrombotic	Type of anticoagulant drug therapy that prevents the formation of blood clots by inhibiting the coagulating actions of the blood protein thrombin
arteriovenous malformation	Congenital disorder characterized by a tangled collection of abnormal blood vessels
astrocyte	A comparatively large star-shaped cell which supports the nerve cells (neurons) of the brain and spinal cord
bromodeoxyuridine or BrdU	A labelling chemical which mimics one of the building blocks of DNA
CSF	Cerebrospinal fluid. The clear fluid that surrounds the brain and spinal cord, filling the ventricles of the brain and the central canal of the spinal cord
DNA	Deoxyribonucleic acid; carries the cell's genetic information and hereditary characteristics and is capable of self-replication and ribonucleic acid synthesis
FDA	FDA: the abbreviation for the Food and Drug Administration. It is the United States governmental agency responsible for the evaluation and approval of drugs and medical devices
glia	Supportive tissue of the brain; the types of glial tissue include astrocytes and oligodendrocytes. Glial cells do not conduct electrical impulses, as opposed to neurons
hemorrhagic stroke	Sudden bleeding; a hemorrhagic stroke of the brain causes bleeding into or around the brain
hippocampus	The subcortical area of the brain that plays a critical role in the formation of long-term memories
ischemic stroke	Ischemia in the tissues of the brain. Ischemia is a loss of blood flow to tissue, caused by an obstruction of the blood vessel, usually in the form of plaque stenosis or a blood clot
lateral ventricle	Cavity in each of the cerebral hemispheres derived from the cavity of the embryonic neural tube
neural progenitor	A precursor cell from which a neuron may be formed
neurodegenerative disease	Hereditary and sporadic conditions which are characterized by progressive nervous system dysfunction. These disorders are often associated with atrophy of the affected central or peripheral nervous system structures
neurogenesis	The production of new neuronal tissue

neurogenesis-promoting agent	Agent that stimulates neurogenesis
neuronal cell	A neuron
neuron	A cell which conducts electric neural impulses from one part of the body to another
oligodendrocyte	A type of brain cell that produces myelin, a protective covering necessary for proper neural transmission
pharmacodynamics	The study of the mechanisms of actions of a drug, the relationship between how much drug is in the body and its effects
pharmacokinetics	The study of the metabolism and action of drugs, with particular emphasis on the time required for absorption, duration of action, distribution in the body, and excretion
pharmacology	The study of drugs and dietary supplements and their origin, nature, properties, and effects upon living organisms
progenitor cell	A precursor cell that may differentiate into a terminal cell type, such as a neuron, an oligodendrocyte or an astrocyte
stem cells	Undifferentiated, primitive cells that have the ability both to multiply and to differentiate into specific cells
thrombolytic	Drug used to treat an ongoing, acute ischemic stroke by dissolving the blood clot causing the stroke and thereby restoring blood flow through the artery
toxicology	The study of the harmful effects of substances on the body, including the level of toxicity, the mechanism by which toxicity occurs and how it can be controlled
TPD	TPD: the abbreviation for the Therapeutic Products Directorate of Health Canada. The Canadian equivalent of the FDA

AUDITORS' CONSENT

We have read the prospectus of Stem Cell Therapeutics Corp. ("SCT") dated December 21, 2004 relating to the issue of a minimum of 30,000,000 and a maximum of 34,000,000 Common Shares of SCT. We have complied with Canadian generally accepted standards for auditors' involvement with offering documents. We consent to the use in the above-mentioned prospectus of our report to the directors of SCT on the balance sheet of SCT as at September 30, 2004 and the statements of operations and deficit, and cash flows for the period from April 1, 2004 to September 30, 2004. Our report is dated November 7, 2004 (except as to note 13, which is as of December 21, 2004).

Calgary, Canada
December 21, 2004

Ernst & Young LLP
Chartered Accountants

(This page has been left blank intentionally.)

INDEX TO FINANCIAL STATEMENTS

Auditor's Report	F-2
Balance Sheet	F-3
Statement of Operations and Deficit.....	F-4
Statement of Cash Flows	F-5
Notes to Financial Statements.....	F-6

AUDITORS' REPORT

To the Directors of
Stem Cell Therapeutics Corp.

We have audited the balance sheet of **Stem Cell Therapeutics Corp.** [formerly Neurogenesis Biotech Corp.] as at September 30, 2004 and the statements of operations and deficit and cash flows for the period from April 1, 2004 to September 30, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2004 and the results of its operations and its cash flows for the period from April 1, 2004 to September 30, 2004 in accordance with Canadian generally accepted accounting principles.

Calgary, Canada,
November 7, 2004 [except as to note 13
which is as of December 21, 2004].

"Ernst & Young LLP"
Chartered Accountants

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

BALANCE SHEET

As at September 30, 2004

	2004 \$
ASSETS	
Current	
Cash and cash equivalents	962,073
Guaranteed investment certificate [note 2]	40,000
Other current assets	21,068
Total current assets	1,023,141
Property and equipment, net [note 3]	42,232
Intangibles, net [note 4]	19,000
Other non-current assets	9,323
	1,093,696
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current	
Accounts payable and accrued liabilities [note 5]	150,554
Current portion of capital lease obligation [note 7]	2,802
	153,356
Capital lease obligation [note 7]	2,801
Commitments [note 8]	
Shareholders' equity	
Share capital [note 10]	1,185,904
Contributed surplus [note 10[d]]	20,000
Deficit	(268,365)
Total shareholders' equity	937,539
	1,093,696

See accompanying notes

On behalf of the Board:

(signed) "Joseph Tucker"
Joseph Tucker, Director

(signed) "Mark Wayne"
Mark Wayne, Director

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

STATEMENT OF OPERATIONS AND DEFICIT

Six-month period ended September 30,

	2004
	\$
OPERATING EXPENSES	
Research and development costs [notes 5[c] and 9]	105,000
Professional fees	67,971
Management and consulting fees [notes 5[a] and 5[b]]	45,370
General and administration	30,322
Stock option expense [note 10[e]]	20,000
Amortization	1,651
	270,314
Interest income	1,949
Net loss for the period [note 6]	(268,365)
Deficit beginning of period	—
Deficit, end of period	(268,365)
Basic and diluted loss per share [note 2]	(0.03)
Weighted average shares outstanding	9,506,550

See accompanying notes

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

STATEMENT OF CASH FLOWS

Six-month period ended September 30,

	2004 \$
OPERATING ACTIVITIES	
Net loss for the period	(268,365)
Add items not involving cash	
Stock option expense	20,000
Amortization	1,651
	(246,714)
Changes in non-cash working capital items	
Other current assets	(21,068)
Accounts payable and accrued liabilities	150,554
Cash used in operating activities	(117,228)
INVESTING ACTIVITIES	
Acquisition of property and equipment	(37,280)
Acquisition of intangibles	(2,000)
Guaranteed investment certificate	(40,000)
Other non-current assets	(9,323)
Cash used in investing activities	(88,603)
FINANCING ACTIVITIES	
Issuance of share capital, net of share issue costs	1,167,904
Net cash provided by financing activities	1,167,904
Net increase in cash during the period	962,073
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	962,073

See accompanying notes

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

1. DESCRIPTION OF BUSINESS

Stem Cell Therapeutics Corp. [formerly Neurogenesis Biotech Corp.] [the "Company"] was incorporated under the laws of Alberta on March 31, 2004 with nominal share capital. The Company was created to further develop and commercialize stem cell related technologies acquired from researchers at an Alberta based university. To date, the Company has not earned product revenue and is considered to be in the development stage.

The continuation of the Company's research and development activity and the commercialization of its stem cell related technologies is dependent on the Company's ability to complete its research and development programs, achieve future profitable operations and finance its cash requirements. The value of the Company's intangible assets could become impaired should their research and development activities change significantly or cease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Use of estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from those estimates.

Cash and cash equivalents

Cash and cash equivalents comprise only highly-liquid investments that are readily convertible to cash with maturities of less than 90 days from the date of acquisition.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

Guaranteed investment certificate ("GIC")

The guaranteed investment certificate is used to guarantee credit cards used for Company business. The guaranteed investment certificate is redeemable, has a term of one year, 2 days, purchased on 30 Jul 2004 and bears interest at the rate of 1.5% per annum. The estimated interest at maturity (1 Aug 2005) is estimated to be \$603.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization over each quarter. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Computer software	2 years
Office furniture and equipment	5 years

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, GIC, other current assets, accounts payable and accrued liabilities, and capital lease obligations. The carrying value of these financial instruments approximates the fair value due to the short-term maturity of these instruments.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Foreign denominated transactions are translated at the exchange rates prevailing at the transaction dates.

Impairment or disposal of long-lived assets [capital and intangible]

The Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of the asset and their net recoverable value, which is generally determined based on undiscounted cash flows expected to result from the use and the eventual disposal of the asset. If the carrying value of the asset is not recoverable, an impairment loss is recognized to write down the assets to their fair value.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

Intangibles

Intangibles represent the value of intellectual property as of the acquisition date which is amortized on a straight-line basis over its estimated useful life of 10 years.

Income taxes

The Company follows the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income or loss in the year that the income tax rates change occurs.

Investment tax credits

The Company recognizes investment tax credits for qualifying research and development costs on a cash basis. The Company accounts for investment tax credits relating to research and development expenses as a reduction of such expenses and those relating to capital expenditures as a reduction of the cost of the asset acquired. No investment tax credits have been recorded in these financial statements as there is no reasonable assurance of realization.

Leases

Leases have been classified as either capital or operating leases. Leases which transfer substantially the entire benefits and risks incidental to the ownership of assets are accounted for as if there were an acquisition of an asset and incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Loss per share

Basic and diluted net loss per share has been calculated using the weighted-average number of Common shares outstanding during the period. Diluted loss per share is calculated in accordance with the treasury stock method. This method assumes that any proceeds from the exercise of stock options or the conversion of Class B shares would be used to purchase Common shares at the average share price during the period. The Company has excluded all outstanding stock options and Class B shares from the calculation of diluted loss per share because all such securities are antidilutive for the period presented.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

Research and development

Research costs, other than capital expenditures that have alternative uses, are expensed as incurred. Development costs that meet specific criteria related to technical, market and financial feasibility are capitalized. All development costs incurred to date have been expensed.

Stock-based compensation

The Company uses the fair value-based method of accounting for all stock-based compensation granted to employees. The fair value of the stock options is determined using the Black-Scholes option-pricing model. The compensation expense is recognized using a straight-line method over the vesting period of the stock options.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2004		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	23,403	357	23,046
Computer software	3,300	38	3,262
Office furniture and equipment	16,180	256	15,924
	42,883	651	42,232

Included in computer equipment is assets under capital lease at a cost of \$5,603, and accumulated amortization of \$200.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

4. INTANGIBLES

Intangibles consist of the following:

	2004		
	Cost \$	Accumulated amortization \$	Net book value \$
Intellectual property	20,000	1,000	19,000

The intellectual property was acquired for \$20,000 which represents the fair value of the intellectual property acquired and was paid through the issuance of 3,636,364 Common shares with a value of \$18,000 and a \$2,000 cash payment.

5. RELATED PARTY TRANSACTIONS

- [a] Pursuant to an employment agreement entered into with the President and CEO of the Company, management fees for the six-month period ended September 30, 2004 were \$2,000. In addition, \$25,400 was paid as salary.
- [b] Pursuant to a consulting agreement entered into with Saxon Intelligence Corp. [controlled by the VP Operations and Corporate Secretary of the Company], the Company receives certain consulting services. For the six-month period ended September 30, 2004 the Company incurred consulting fees for these services totalling \$7,000. In addition, \$7,000 was paid as salary.
- [c] The Company has arranged for its research program to be carried out at an Alberta based university, in the laboratory of a shareholder of the Company. Payments for research performed are due on a quarterly basis. For the six-month period ended September 30, 2004 the Company incurred and has accrued research fees for these services totalling \$105,000 [note 9[c]].

All of these transactions were recorded at their exchange amounts, and took place in the normal course of business.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

6. INCOME TAXES

Future tax assets are determined based on differences between financial reporting and tax bases of assets and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The reconciliation of income tax attributable to continuing operations computed at the statutory rate to income tax expenses is as follows:

	2004 \$
Statutory tax rate	(33.9%)
Expected tax recovery	(90,975)
Add: stock option expense	6,780
	(84,195)
Future tax assets not recorded	84,195
	—

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Significant components of the Company's future tax assets as at September 30, 2004 are as follows:

	2004 \$
Future tax assets	
Non-capital loss carryforwards	48,601
Scientific research and experimental development pool	35,595
Federal investment tax credit carryforwards	21,000
Carrying value of capital and intangible assets in excess of accounting basis	560
Total future tax assets	105,756
Valuation allowance on future tax assets	(105,756)
Net future tax assets	—

As at September 30, 2004, the Company has accumulated tax losses for federal and provincial purposes in Canada. The Company also has unclaimed Canadian federal scientific research

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

investment tax credits. The losses and investment tax credits can be used to offset future years' Canadian taxable income, the benefit of which has not been recorded in the accounts. The tax losses and investment tax credits expire as follows:

	Federal \$	Investment tax credits \$
2011	143,365	21,000

7. CAPITAL LEASE OBLIGATION

The following is a schedule of future minimum lease payments under capital lease expiring in July 2006, together with the balance of the capital lease obligations:

	\$
2004	803
2005	3,211
2006	2,408
	6,422
Less amount representing interest at 14.6%	819
	5,603
Less current portion	2,802
	2,801

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

8. COMMITMENTS

[a] Operating leases

The Company leases office facilities under a 16-month sub-lease expiring December 31, 2005.

Future minimum annual lease payments under such sub-lease agreements that have initial or remaining terms after September 30, 2004 are as follows:

	\$
2004	13,642
2005	45,473
	<u>59,115</u>

[b] Service agreements

As at September 30, 2004, the future minimum annual payments under capital equipment service agreements for the next five years and thereafter are as follows:

	\$
2005	—
2006	202
2007	485
2008	485
2009	485
Thereafter	283
	<u>1,940</u>

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

[c] Research contract

Future expected payments under a research contract with a related party [note 5[c]] are as follows:

	\$
2004	42,000
2005	21,000
	<u>63,000</u>

9. RESEARCH AND DEVELOPMENT PROJECTS

The Company is involved in the research and development of therapeutics used to stimulate stem cells for the potential treatment of neurological diseases. The following costs have been incurred for research and development work performed to September 30, 2004:

	\$
Research and development expense costs	<u>105,000</u>

All research and development costs incurred to date have been expensed. No revenue has been earned from commercialization of the Company's technology.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

10. SHARE CAPITAL

[a] Authorized

The authorized share capital of the Company consists of an unlimited number of Common shares, Class B shares and First Preferred shares, in each case without nominal or par value. Common shares are voting, and may receive dividends as declared at the discretion of the directors. Class B shares are non-voting and convertible to Common shares at the holder's discretion, on a one-for-one basis. Upon dissolution or wind-up of the Company, Class B shares participate rateably with the Common shares in the distribution of the Company's assets.

[b] Issued and outstanding and changes during the period

	Number of shares #	2004 \$
Common		
Balance, beginning of period	—	—
Formation of Company,	1,000,000	10
Acquisition of intellectual property	3,636,364	18,000
Proceeds from issuance at \$0.025 per share	2,000,000	50,000
Proceeds from issuance at \$0.10 per share	2,550,000	251,423
Proceeds from issuance at \$0.15 per share	4,000,000	596,471
	13,186,364	915,904
Class B		
Proceeds from issuance at \$0.025 per share	10,800,000	270,000
Balance, end of period	23,986,364	1,185,904

The 3,636,364 Common shares issued for the acquisition of intellectual property were valued based on the fair value of the intellectual property acquired.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

[c] Employee stock options

As at September 30, 2004 the Company's Board of Directors has granted 800,000 options to employees and directors of the Company to purchase an eligible number of Common shares for an exercise price equal to the fair market value of the Company's Common shares on the date of the grant as determined by the Board of Directors. The options' term to expiry varies to a maximum of five years from the date of grant. Vesting terms and conditions are determined by the Board of Directors at the time of grant. These options must be exercised prior to the filing of a preliminary prospectus, otherwise they will be cancelled. *[note 13[e]]*

The following table summarizes the activity of the Company's stock option plan as at September 30, 2004:

	Number of shares #	Weighted- average exercise price \$
Outstanding, beginning of period	—	—
Granted	800,000	0.044
Exercised	—	—
Cancelled	—	—
Outstanding, end of period	800,000	0.044
Options exercisable at period end	800,000	0.044

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

The following table summarizes information about stock options outstanding as at September 30, 2004:

Range of exercise prices \$	Options outstanding			Options exercisable	
	Number outstanding at September 30, 2004 #	Weighted- average remaining contractual life (years)	Weighted- average exercise price \$	Options currently vested and exercisable at September 30, 2004 #	Weighted- average exercise price \$
0.025	600,000	4.5	0.025	600,000	0.025
0.10	200,000	4.7	0.10	200,000	0.10

[d] Employee stock options expense

As at September 30, 2004 the Company's Board of Directors has granted 800,000 options to employees and directors of the Company to purchase an eligible number of Common shares for an exercise price equal to the fair market value of the Company's Common shares on the date of the grant as determined by the Board of Directors. These options were granted in April 2004 and June 2004 and have been valued using the fair value methodology of the Black-Scholes model.

To value the options, the strike price was set to the value of the current financing round, and approved by the Board of Directors when the options were issued. Other weighted-average assumptions were: the risk free interest rate was set at 5%, volatility, although the stock is not publicly traded, was set at 100%, dividend yield of nil, and the expected life was estimated at 0.6 years [due to the options expiring upon filing of a preliminary prospectus]. Using these assumptions, the weighted-average value of the options issued was calculated to be \$0.04 with a total aggregate value of \$20,000.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

11. STATEMENT OF CASH FLOWS

[a] Non-cash transactions

The statement of cash flows excludes the following non-cash transaction:

- the purchase of intellectual property on April 4, 2004 for shares valued at \$18,000.

[b] Interest paid and classified as operating activities is nil.

12. SEGMENTED INFORMATION

Management has determined that the Company operates in one reportable segment based on the nature of the Company's service offerings, types of customers and the method used to deliver its services and the economic characteristics of its operations. This reportable segment involves the research and development of therapeutics involved in the stimulation of stem cells for the treatment of neurological diseases.

The Company's operations are located in Canada.

13. SUBSEQUENT EVENTS

[a] Purchase of Stem Cell Therapeutics Inc.

On October 4, 2004, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Stem Cell Therapeutics Inc. ["Stem Cell"] from Transition Therapeutics Inc. ["Transition"], which represents an acquisition of technology. The Company agreed to pay Transition an aggregate purchase price of \$3,500,000. The purchase price is payable in instalments beginning on closing in the amount of \$325,000, and on the anniversary of closing in each of the following four years in the amount of \$475,000, \$400,000, \$650,000 and \$1,650,000, respectively. Except for the initial payment on closing, all subsequent payments may be made, at the Company's election, by either cash or Common shares; provided that the Company may only elect to issue Common shares as payment for the final instalment if the Common shares are at such time listed and posted for trading on a recognized stock exchange. On closing, the certificates representing the Stem Cell shares were placed in escrow subject to the payment in full of the purchase price.

Stem Cell Therapeutics Corp.
[formerly Neurogenesis Biotech Corp.]
[a development stage company]

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

Stem Cell develops stem cell-based human therapies. As a result of its acquisition of Stem Cell, the Company acquired all of the intellectual property and licensed processes and products developed to date by Stem Cell. Management of the Company believe that the Stem Cell acquisition will complement the existing technology platform and enhance the Company's product development.

[b] Name change

As of October 19th, 2004 the Company changed its name to Stem Cell Therapeutics Corp.

[c] Private placement

On November 19, 2004, the Company completed a private placement and issued 1,000,000 Common shares at \$0.25 per Common share, for proceeds of \$250,000.

[d] Conversion of Class B shares

On November 19, 2004, 4,000,000 Class B shares were converted to Common shares.

[e] Options exercised

On November 22, 2004, 800,000 Common shares were issued upon the exercise of all options granted up to September 30, 2004 for cash proceeds equalling \$35,000.

[f] Options granted

On November 24, 2004, the Company adopted a new stock option plan and reserved an aggregate of 5,000,000 Common shares for issuance pursuant to the plan. As well, on November 24, 2004 the Company granted 3,925,000 stock options were granted to directors and officers at an exercise price of the greater of: (i) \$0.25 per share and (ii) the offering price pursuant to the Prospectus described in note 13[g].

[g] Prospectus

The Company entered into an Agency Agreement dated December 21, 2004 [the "Agreement"] under which it agreed to file a prospectus to qualify for distribution up to 34,000,000 Common shares to be issued from treasury at \$0.25 per share [the "Offering"]. The Agreement provides for an agents' commission of 9% of the aggregate gross proceeds realized from the Offering.

CERTIFICATE OF THE COMPANY

Dated: December 21, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), Part VII of the *Securities Act* (Manitoba) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

(signed) "*Joseph Tucker*"
Joseph Tucker,
Chief Executive Officer

(signed) "*Mark Wayne*"
Mark Wayne,
Chief Financial Officer

On behalf of the Board of Directors:

(signed) "*Don McCaffrey*"
Don McCaffrey,
Director

(signed) "*Jeffrey Shmigelsky*"
Jeffrey Shmigelsky,
Director

CERTIFICATE OF THE AGENTS

Dated: December 21, 2004

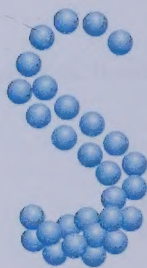
To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), Part VII of the *Securities Act* (Manitoba) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

Dlouhy Merchant Group Inc.

First Associates Investments Inc.

By: (signed) "*William Murray*"
William Murray

By: (signed) "*Randy Bergh*"
Randy Bergh



STEM CELL
THERAPEUTICS